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NEWS SUMMARY

GENERAL

U.S. will act to protect oil

The Carter Administration is considering a military presence to assure the security of the oil-producing Gulf area, U.S. Energy Secretary Dr. James Schlesinger said.

Defence Secretary, Dr. Harold Brown, earlier endorsed Dr. Schlesinger's statement when he said the U.S. would take appropriate action, including the use of military force, to protect Middle East oil supplies.

Meanwhile, President Carter intervened directly in the Camp David Middle East peace talks. Afterwards, both Egyptian and Israeli Foreign Ministers were due to fly back to their countries to consult on any progress made during the four days of talks. Back Page

Yemen fighting

Fighting was raging on the border between North and South Yemen, and the Nationalist Democratic Front of South Yemen claimed to have occupied two North Yemeni towns. North Yemen reported heavy civilian casualties. Page 2

Soldiers killed

Two soldiers died and one was seriously injured in a shooting incident in the Woodburn barracks, West Belfast. The Army said neither the IRA nor any terrorist group was involved.

Election blow

UK political parties look like having to fight the forthcoming direct elections to the European Parliament without any financial support from the Government. Ministers have virtually ruled out the possibility of getting the necessary legislation through Parliament before June 7. Back Page

Peace conditions

Tanzania said it would not consider the Organisation of African Unity's peace proposals for ending the war with Uganda unless four conditions were met. These included OUA condemnation of Ugandan President Idi Amin, and payment by Uganda for damage during the border fighting. Earlier Story, Page 2

Bombing probe

Police expect soon to complete their investigations into the bombings in Yeovil, Somerset. They are satisfied that only one person was responsible for the blasts, and have ruled out any IRA involvement.

Cheap fares end

British Rail is to phase out monthly return and economy fares this year, and introduce more Big City Saver fares to 26 destinations in South Wales, Yorkshire and the North East.

Briefly . . .

A rail guard was killed near Portsmouth when his train struck a crane repairing the next track. Nine other, including the train driver, were taken to hospital.

Soviet Union launched two-man spaceship Soyuz 32 to dock with Soviet space station Salyut 6.

Duchess of Windsor, aged 82, was said to be in good condition after an operation for an intestinal complaint.

Chris Delieu, 22, of Woolwich, South London was stabbed to death in a pub brawl.

The Queen is to open the £232m Dubai dry dock and ship repair yard built by Costain and Taylor Woodrow.

BUSINESS

Fluor wins new SASOL contract

● FLUOR Corporation, one of the U.S.'s leading engineering and management services companies, has captured the construction contract for South Africa's planned £1bn expansion of its SASOL 2 oil-from-coal project.

Fluor was awarded the original contract for phases one and two of Sasol in March 1975. Completion of these facilities is expected next year. Fluor estimated the cost of phases three and four of SASOL at more than £1bn and scheduled their completion for 1982.

● BIGGEST Japanese trade mission to visit Britain arrived in London yesterday, providing evidence that Japan intends to reduce its trade surplus by stepping up imports rather than limiting exports. Back Page

● LEADING European accountants meet members of the American Institute of Certified Public Accountants in Amsterdam on March 5 to discuss a possible extension of the scope of U.S. peer reviews to include UK and European accountancy firms. Page 4

● EXCHANGE controls on capital movements overseas are strongly attacked for damaging the economy and for curtailing individual freedom, in a new study published by the Institute of Economic Affairs. Page 4

● GRAIN stores big enough to hold 300,000 tonnes of corn and built a year ago to fulfil Common Market obligations at a cost of almost £4m, are standing virtually empty. Page 4

● MEETING today at No. 10 Downing Street between the Prime Minister and NUM leaders could decide whether the miners' pay claim will be settled peacefully this year. Page 4

● NATIONAL Association of Head Teachers and the National Union of Teachers have fallen out over negotiating tactics on a joint 36.5 per cent pay claim.

● HITACHI, the Japanese electrical and electronics group, is looking for a site in Europe to set up a microelectronics manufacturing plant. Page 2

● PETER PAN Bakeries, Belfast, which is faced with closure, is expected to announce nearly 500 redundancies today. The bakers' union is seeking an urgent meeting with Northern Ireland Industry Minister Mr. Don Concannon. Page 4

● LOTUS GROUP will collect £4.5m from a deal with Chrysler UK involving the launch of a high-performance version of the Sunbeam in Britain soon. Saab moves into the highly-competitive "executive" sector of the UK car market today, with the launch of its 900 series. Page 4

● THIS YEAR may well mark the end of the severe decline and the start of a recovery in the nickel business, Mr. J. Edwin Carter and Mr. Charles Baird, respective chairman and president of Inco, say in their annual report. Page 26

● FINANCIAL TIMES grocery prices index rose only marginally during February after the sharp increase in the index in January. Page 6

COMPANIES

● CARPETS of Worth, sole remaining part of Bond Worth Holdings, has been bought for £4.8m by a consortium of Arab investors operating under a recently-formed company called Near Karn. Page 6

● IMPERIAL Group is again providing for capital investment worth about £100m in the current year. Last year, the group's programme amounted to £103.4m. Page 26

Civil servants may extend strikes as 1,300 are called out

BY CHRISTIAN TYLER, LABOUR EDITOR

Civil Service unions are planning to widen the strikes which began at midnight in about 20 Government centres. But details are being kept secret to prevent the Government taking avoiding action.

From last night more than 1,300 staff were called out, many of them in computer offices handling payments and receipts worth millions of pounds, in order to force the Government to declare its hand on the exact timing of the civil servants next pay increase.

Leaders of the Civil and Public Services Association and of the Society of Civil and Public Servants, representing clerical and executive grades, are to announce further indefinite strikes this week unless they are offered serious talks with the Civil Service Department.

The total effect of their action could take a day or two to become clear. But the unions expect considerable support, since they have undertaken to pay the striking members the same amount as their take-home pay from the last wage packet. This could mean up to £100 a week for some of the senior grades.

The Civil Service Department was unable to assess the likely overall impact last night. But Lord Peart, Lord Privy Seal, again condemned the action.

He said: "I want to make it absolutely clear that I have assured the unions that the Government will implement the findings of the pay research unit and that the increase will be staged subject to negotiations."

But Mr. Gerry Gillman, general secretary of the SCPS, said officials had already had every opportunity to negotiate about staging, and that his members now "simply distrust" the Government.

Mr. Ken Thomas, of the CPSA, said at the weekend that the Prime Minister was "acting like a 19th-century mill-owner."

Mr. Callaghan's own statements and his past handling of the civil servants are thought to have contributed to the present outburst by the two unions. Other Civil Service unions have refused to take part.

However it is unlikely that talks at some level will not take place this week.

The unions, now completing their analysis of the pay research unit's findings, expect full retrieval of their decline in earnings relative to the private sector to mean rises of 26-36 per cent.

Details of the selective action so far were given at the weekend. Among the main centres chosen are the Southend computer dealing with revenue from value-added tax, estimated by the unions at £500m a week. Payments of £150m-£200m a week are also said to be threatened.

Subsidies to farmers estimated at £6m a week may be affected by a strike at the Guildford computer of the Ministry of Agriculture and the Scottish Office.

The two unions have also aimed at disruption of communications at the Department of Trade and called out Foreign Office cypher clerks who process communications with British embassies.

Searches at Companies House in Cardiff and its London office may also be affected, as well as the distribution of coins from the Royal Mint. Court proceedings in Scotland may be interrupted.

Meanwhile, the Government is pressing ahead with plans for a special body to carry out a similar study for manual workers in local government and the Health Service.

This is in spite of the rejection of a 9 per cent offer by the executive of the National Union of Public Employees. These informal discussions may not become public until the result of the membership's voting is known.

Lombard, Page 12

Goodyear workers vote for night shift

FINANCIAL TIMES REPORTER

WORKERS AT the Goodyear Tyre factory in Clydebank backed down yesterday from their refusal to accept a Friday night shift, after the management threatened to close the factory with the loss of 700 jobs.

The workers' change of mind has prompted new talks today between the Government and the company to explore the chances of saving the plant.

The talks are to be held in London between Mr. Gregor McKenzie, the Scottish Office Minister, and Mr. Westi Hansen, chairman and managing director of Goodyear Great Britain, subsidiary of the U.S. multinational.

Last week the company gave 90 days' notice of its intention to close the factory because of the refusal by 430 manual workers to accept a 15-shift working system instead of the present 14 shifts.

After the threat of closure, the men changed their minds and voted overwhelmingly to accept the new shift system which would mean their working one Friday night in three.

But the company may not now accept the change of heart. Announcing the closure last Tuesday, Mr. Hansen said it had been negotiating unsuccessfully with the men for the past nine months in an effort to improve the plant's low productivity.

Union talks

The employees had repeatedly turned down the management's proposals. After nine months of fruitless talks, the company could see no further purpose in postponing its decision to close the factory. "We are not bluffing. We have considered very carefully and we have made our decision. The plant will close," Mr. Hansen said.

Mr. John Miller, national secretary of the Transport and General Workers' Union, said he hoped the company would agree to fresh talks with the unions.

The Clydebank plant is the only one of Goodyear's European operations which does not have a fully-manned Friday night shift. Its output per man-hour is less than half the company average in European plants and its losses, estimated at up to £10,000 a day, have had to be off-set by profits from other plants.

Absenteeism is "considerably higher" than at other plants and its scrap rate is twice the European average.

The Clydebank area is already facing the loss of thousands of jobs at other factories.

China 'will stay out of Hanoi'

BY JOHN ELLIOTT IN PEKING

INTENSE FIGHTING between Chinese and Vietnamese forces continued yesterday but a senior member of the Peking Government has said that China's invading army will not attack Hanoi or occupy the area around the city.

In an apparent effort to calm growing Western fears over the scale of China's military incursion into Vietnam, Mr. Wang Zhen, a vice premier, said China had "no intention" of attacking Hanoi.

Mr. Zhen's remarks will make it slightly easier for Mr. Michael Blumenthal, the U.S. Treasury Secretary, and Mr. Eric Varley, Industry Secretary, to discuss economic links with China. Both men are in Peking for talks with the Chinese at present.

Mr. Zhen said China had "no intention of occupying a single inch of Vietnam territory." He said the Chinese wish to teach the Vietnamese a lesson and added: "We are still teaching them a good lesson."

'16,000 out of action'

BY RICHARD NATIONS IN BANGKOK

RADIO HANOI yesterday reported that it had put out of action 16,000 Chinese troops, destroying more than 100 military vehicles including 20 tanks, in the first week of the border war.

Military analysts in Bangkok confirm fierce fighting is spreading where Chinese forces are consolidating their threat to control the main invasion corridors leading from Vietnam's mountainous frontier with China tothe strategic heartland of the Hanoi-Haiphong sector in the Red River delta.

Western journalists who returned here on Saturday from near the provincial capital of Lao Cay, close to the China-Vietnam border, witnessed a Chinese artillery barrage which veterans of past Indo-China wars consider the heaviest on record. They said three howitzer shells were exploding every second for long periods.

Intelligence reports reaching Bangkok indicate the Chinese have driven a division-size column 8 miles south-east of Lao Cay down the Red River valley, threatening to command one of the main routes leading 180 miles south-east to Hanoi. Reporters back from the scene say the Vietnamese are moving up reinforcements to block and envelop the Chinese advance.

Long-range artillery duels are also continuing at Lang Xon, another frontier provincial capital, where Vietnamese fortifications block—at least for the moment—the Chinese advance from "friendship pass" to the beginning of another principal invasion route, Highway 1-A, 85 miles north-west of Hanoi.

Military analysts say the threat of Soviet retaliation remains an adequate deterrent against a Chinese thrust deep into Vietnam.

"The point of the Chinese game at the moment is only to threaten Vietnam's strategic targets not wipe them out in the hopes Hanoi will be forced to commit their most cherished divisions to the battle," one Western diplomat commented.

So far, the brunt of the first week's fighting has been borne by Vietnam's regional defence forces which are armed with heavy weapons, artillery and armour. But Hanoi has begun to move a regiment-size regular force to the front, according to informed diplomats, although not from the divisions protecting the vital Hanoi-Haiphong sector.

A third front is expanding on Route 4, a lateral highway and key supply line for the northern salient of Cao Bang. Vietnamese troops have been trapped by numerous secondary Chinese thrusts and are said to be fighting back fiercely

Iran will cancel its options to buy Concordes

BY SIMON HENDERSON IN TEHRAN

IRAN AIR intends to drop options to buy three Concordes and cancel orders worth £275m for five Boeing 747 Jumbo jets and six European Airbuses, Mr. Hushang Tajadod, its new managing director, said at the weekend.

High debts and low revenues following the overthrow of the Shah this month are given as the reasons. Drastic and permanent cuts in the airline's network seem inevitable as Mr. Tajadod said his most urgent task was to pay off the debt.

A two-month anti-Shah strike in the airline ended last week with the resumption of a limited service both domestically and internationally.

Overseas flights, though, have been hit by a ban on travelling affecting all adult Iranian males as the revolutionary forces continue their purge of officials of the Shah's regime.

A Jumbo aircraft to London on Saturday carried seven passengers while only ten were aboard a flight to Rome and Paris.

The cancellation of the Concorde options had long been expected and prospects for sales of the 747s and Airbuses had declined with the increase in political turmoil during the last few months.

The airline is also cutting its expatriate staff including pilots and engineers. About 50 per cent of the flight crew are expatriates, as are many of the cabin staff—especially hostesses.

Apart from the aircraft cancellations, Mr. Tajadod said routes to Oman, Abu Dhadi and Sharjah were to be cut, and plans for services to Los Angeles, Zurich and the Far East are to be shelved. Ten Iran air offices in the Gulf and Far East are to be closed.

In an interview with a local newspaper Mr. Tajadod said Iran Air was no longer contemplating being the world's fastest-growing airline—a prominent feature of its extensive advertising campaign—simply because it sounded impressive.

Iran Air's present fleet consists of five Boeing 747s, seven Boeing 707s, eight 727s and four 737s. Two Airbuses had been leased from Air France pending the delivery of the main order which included options on three more aircraft.

Guerrillas oppose new Army, Page 2

Chrysler sells South American car and truck plants to GM

BY JOHN WYLES IN NEW YORK

CHRYSLER Corporation's forced retreat to its U.S. base is continuing with the sale to General Motors of car and lorry assembly plants in Venezuela and Columbia.

The significance of the agreements is double-edged. They are a further indication of the radical moves Chrysler is being forced to take to ensure survival through the 1980s and they give General Motors a potentially important boost in its bid to build overseas operations to *rival Ford*.

Chrysler says that both its Venezuelan and Columbian operations were profitable last year but it will not say by how much, nor the price which General Motors is paying for them. Of the two agreements, the Venezuelan appears to be the most significant.

The plant at Valencia employs 2,138 people and produced 20,837 cars and 16,140 lorrys last year, to give Chrysler about 19.6 per cent of both markets in Venezuela. Ford dominates both car and lorry sales in that country with GM second on cars and Chrysler third. On trucks Chrysler is second and GM third.

"Our Venezuelan operations are bursting at the seams," GM said yesterday adding that the combined GM and Chrysler sale could put GM ahead of Ford in Venezuela.

But GM will not, of course, be producing Chrysler cars which means that Chrysler is virtually sacrificing this market because import restrictions make it very difficult to sell into Venezuela.

In Columbia, Chrysler's 77.4 per cent stake in its subsidiary there is being sold to GM. This is a smaller market than Venezuela, but one in which Chrysler held 22.7 per cent of car sales last year and 37.9 per cent of lorries. About 7,934 cars and 11,772 lorries were assembled by the Columbian subsidiary. GM's *sales in Columbia are minimal* —less than 1,000 units last year —and the car market is led by Renault, with Chrysler second, and lorry sales by Chrysler with Toyota second.

By pulling back from abroad and other measures, Chrysler is struggling to finance a $7.5bn capital expenditure programme for the period to 1984. One of *its most immediate concerns is* to halt the erosion of its domestic base.

Its car sales in North America have been in a slump for many months and this is thought to be an important factor in the early retirement of Mr. Robert K. Brown, 59, who is giving up his post as executive vice-president for sales and marketing in the late summer.

P&O reviews its energy interests

FINANCIAL TIMES REPORTER

WORKERS AND staff in P and O's energy division have been told that the company is reviewing its energy interests and may *sell some of the assets.*

The news has caused concern in Scotland that the company is about to pull out of its 40-acre purpose-built supply base at Montrose on the east coast, leaving many of the workers redundant.

Reports that the company was actively negotiating to sell the site and all its offshore support *group*, called Sea Oil Services, were denied yesterday by the company.

It added, however, that the group has been in an "asset sale position for some time" and that workers in the energy division were told of the review last week.

Earlier this month the group announced that more than 150 staff had been made redundant as a direct result of the sale of ships worth at least £25m during 1978.

The ship sales and the review of the energy division are related to the difficult trading period the group is experiencing. Profits in the first half of its current financial year slumped dramatically and the prospects for the full year are not particularly bright.

The energy division includes the group's 15 per cent stake in the Beatrice Field, 12 miles off the coast of Scotland in Moray Firth, which is due to start production in 1981. Late last month *the British National Oil Cor*poration bought a share in the field from Hunt Oil of the U.S.

At that time there were suggestions that other partners in the field, including P and O, might like to quit, or at least reduce their shareholdings. Costs of developing the field are expected to be around £300m.

On the other side of the Atlantic, assets include P and O Falco, based in Louisiana, which operates a fleet of trucks, a number of pipeline systems, and a storage business.

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Guerrillas join to oppose plans for new Iran Army

BY ANDREW WHITLEY IN TEHRAN

A POWERFUL ALLIANCE took shape in Iran over the weekend, in potential conflict with Iran's essentially conservative authorities. The Islamic guerrilla group, the Mujaheddin-e-Khalq joined forces with their Leftist rivals, the Fedayeen-e-Khalq, in opposing the re-formation of Iran's armed forces, and publicly demanding the establishment of a "People's Army."

The Mujaheddin's declaration, at a large rally at Tehran University on Saturday, coincided with the first deadline for soliders to return to their units and barracks, set by Gen Mohammad Vali Qarani, the chief of staff. The call to return has apparently had only limited success, as yesterday the state radio was still broadcasting reminders.

Another 23 generals were dismissed yesterday, bringing the total so far to over 200. More significantly, relatively young colonels are being appointed to such key staff positions as the head of military intelligence.

No conscripts are to be called up this year, according to an official announcement. The period of service is also to be reduced, to one year. In the past, some 60 per cent of Iran's 285,000-strong ground forces were conscripted, but the future emphasis is likely to be on a smaller, more professional force.

With nearly all the thousands of U.S. and British advisers out of the country, a last-minute hitch has led to an awkward problem for Whitehall. Local Khomeini committeemen have detained a four-man team from the British Defence Ministry's International Military Sales (IMS) team at Masjid-e-Suleiman, in the south-west.

Two of the Britons were released on Saturday, after a fortnight under virtual house arrest, and allowed to fly to Tehran in preparation for leaving the country.

The other two, Mr. Don Evans and Mr. Eric Sant, were brought here by helicopter yesterday under guard. The two worked at the Chieftain tank training centre.

Meanwhile, the emergence of the Mujaheddin-e-Khalq guerrillas—the biggest of the three militia groups—as a publicly identifiable force determined to ensure its views are taken into account, poses a serious challenge to Dr. Mehdi Bazargan, the Prime Minister. The leader of the Mujaheddin, Mr. Massoud Rajavi, named openly for the first time, told his followers that the National Guard now being created by Dr Bazargan—the so-called "Guardians of the Revolution"—must not turn into a "criminal body like that in Iraq," hunting and exterminating "true revolutionaries."

In demands very similar to the nine-point declaration issued by the Marxist Fedayeen after their Friday rally in Tehran, the Mujaheddin have called for the public trial "by the people and in people's courts" of the Shah's officials, and for local democracy through elected councils in factories, Government offices and army barracks.

China takes a tough line in talks with British

BY JOHN ELLIOTT IN PEKING

CHINA took a tough line at the start of trade talks here with Mr. Eric Varley, the British Industry Secretary. In the opening session of the talks, Mr. Wang Zhen, Vice-Premier with special responsibility for defence and industry indicated that Britain might have to trim its hopes for a trade agreement worth £10bn.

Mr. Wang Zhen said any total figure must be realistic and not simply a global estimate. He stressed that the Chinese paid close attention to price, delivery and reliability before placing orders.

At the same time, Mr. Michael Blumenthal, U.S. Treasury Secretary, flew into Peking to discuss the United States' economic relations with China.

With the British Government unwilling to move very far on selling the Harrier jump-jet to China so long as the Vietnam invasion continues, it seems the UK's initial hopes for agreeing an overall £10bn figure may well not be reached.

However, the opening day of the talks was reported by both sides to have gone well. The talks involved not only Mr. Varley and his civil servants having meetings with the Chinese but also Mr. Varley's delegation of ten industrialists meeting Mr. Zhen and various officials.

Mr. Zhen said at a banquet given for Mr. Varley in Peking's Hall of the People "what we plan to do together is of great significance." There were "bright prospects for co-operation between our two countries."

He looked forward to visits to China soon by Dr. David Owen, Foreign Secretary, and Mr. John Smith, Trade Secretary, and said that China would be sending delegations to the UK covering health issues, education and the armed forces.

The armed forces delegation would, he said, be "high level" but he did not spell out what it would do.

President Idi Amin

Envoys try for peace in Uganda

By John Worrall in Nairobi

PEACE ENVOYS from the Organisation of African Unity (OAV) flew from Nairobi to Tanzania and Uganda to try and arrange a ceasefire in Uganda as Tanzanian troops and Ugandan exiles and army mutineers fought their way through Masaka, 40 miles inside Uganda.

The peace missions will have less trouble with President Idi Amin than with President Julius Nyerere. President Amin has agreed to a ceasefire, but President Nyerere is insisting that President Amin be branded as the aggressor.

Uganda Radio admitted at the weekend that Tanzanian troops and Ugandan exiles had entered Masaka, a garrison and coffee town 80 miles from Kampala, and all able-bodied civilians had left the town.

Communications with Zaire, Rwanda and Burundi had been cut by the Tanzanians and fierce fighting was going on.

Diplomats in Kampala said the Tanzanian offensive was on two fronts: one force was at Masaka and another was advancing towards Mbarara, a small town to the west.

AP adds from Dar es-Salaam: About 1,000 Arab military advisers are in Uganda, according to the Save Uganda Movement (SUM), which is fighting to overthrown President Amin. Moroccan and Palestinian soldiers are training President Amin's army, the SUM said.

Bitter steelworkers besiege Longwy police headquarters

BY TERRY DODSWORTH IN PARIS

HOSTILE REACTIONS among the French steel unions to the Government's latest proposals to cushion the run-down of the industry spilled over at the weekend into a violent attack on the police station at Longwy in Lorraine.

A group of steelworkers, estimated at about 500, laid siege to the police headquarters, hurling stones and petrol bombs, after they had been ejected from a television relay station which they had taken over.

The group, eventually dispersed by teargas, went on to sack the employers' association building, burning furniture on the pavements outside.

These confrontations at Longwy, the worst-hit steel town, raised further questions over the Government's ability to control the increasingly embittered steel workers.

The measures presented on Friday by M. Andre Giraud, the Industry Minister, were expected to go a long way towards taking the sting out of the industry's redundancy programme. But the unions emerged from the protracted meeting in an antoginistic mood, and the ill feeling in the steel towns appears to be gathering force rather than diminishing.

M. Giraud's most novel proposal was for establishing a retraining company at Longwy, partly financed by the State and partly by the European Coal and Steel Community. This would take on and retrain workers not covered by the early retirement and job creation plans, he said, and assure everyone at Longwy of a job until the end of this year.

Denain, the other badly hit steel town, would also be able to provide all its workers with jobs during the next 10 months under the provisions of the other Government plans which include:

- Reduction of the early retirement age to 55 (from the present 55 years 8 months) and to 50 for workers employed in the most punishing jobs.
- Payments of special gratuities for voluntary retirements.
- Joint working parties to discuss the problems of the industry.
- Further efforts to bring jobs to the steel regions.

The unions attacked the training company suggestion as a "getto" and "parking lot" for the unemployed, and both main unions—the Communist-led CGT and the Left-wing CFDT—stressed they wanted to see a fundamental alteration in the plan to reorganise French steel manufacturing.

Fahd cancels Washington visit

BY JAMES BUCHAN IN JEDDAH

CROWN PRINCE FAHD has postponed his visit to Washington for talks with President Carter on March 13, in a clear refusal to be associated with the current round of peace talks.

Prince Saud al-Faisal, the Saudi Foreign Minister, told the Jeddah newspaper Al-Medina on Sunday that the delay was agreed because both sides needed more time to discuss the agenda, which U.S. diplomats described recently as concerning the peace talks, oil production, and security questions raised by the unrest in Iran.

The cancellation will also presumably cover the Crown Prince's planned stop in Paris on March 11, although French officials have received no notification.

Jeddah diplomats were sceptical about reports ascribed to Mr. Jody Powell, President Carter's Press Secretary, that the visit had been cancelled because of the Crown Prince's ill health. The Crown Prince took a prominent part in the Queen's visit last week, and last Sunday, during talks between Prince Saud and Dr. David Owen, the British Foreign Secretary, it was assumed that the Washington talks would go ahead, British officials said.

The visit was originally planned after the first Camp David talks last September as part of U.S. efforts to enlist Saudi support for the peace process. Its cancellation now—at the start of Camp David Two—indicates the continuing Saudi reservations about what they regard as an incomplete programme for a peace settlement.

Final bid to save Bhutto

BY CHRIS SHERWELL IN ISLAMABAD

IN A LAST legal effort to rescue their client from the hangman, lawyers for Mr. Zulfikar Ali Bhutto, Pakistan's condemned former Prime Minister, have criticised the Supreme Court judges' appreciation of the evidence and attacked as unprecedented the severity of their sentence.

The move to change the court's verdict came at the weekend when the seven judges, who split four-three in confirming the death sentence on Mr. Bhutto, began hearing a review petition lodged on his behalf. After two days it was still not clear how long the process would take, because the prosecution will be allowed a right of reply.

The senior defence counsel said he doubted whether there was any precedent for a death sentence in circumstances like those in the Bhutto case. The judges were split, the allegedly guilty party was not at the scene of the crime and the person who died was not the one who was the object of the supposed conspiracy.

On Saturday the court dismissed contempt petitions against six foreign correspondents for the way they reported the split decision. The chief justice said the reports, which suggested that the split was along provincial lines, were inspired by defence lawyers.

In a seperate development leaders of the minority Shia sect in Pakistan have again made their discontent known over the recent introduction of Islamic laws ordered by Pakistan's military ruler, General Zia ul-Haq.

Spain prepares to vote

BY ROBERT GRAHAM IN MADRID

THE SPANISH general election campaign has now entered its final three days. But the campaign has so far failed to clarify the two inponderables that existed at the outset—the level of abstentions and the extent to which the two main parties, the ruling Union de Centro Democratico (UCD) and the Socialists (PSOE), have influenced the large number of floating voters.

The election is due to take place on Thursday. But as of Tuesday night all electioneering will stop, allowing the 26.8m voters a day of "reflection."

The weekend has witnessed a hectic round of meetings by the leading figures in the major parties. However, there has been little to liven up what most commentators regard as an exceptionally dull campaign. Party organisers report a significant drop in voter interest for these elections compared with the first democratic elections of June 1977. This time 18-year-olds are being allowed to vote, and parties of the extreme Left, which in June 1977 were still illegal, are presenting candidates among the 5,687 contesting 350 seats for the lower house of Parliament.

One private poll, which the UCD endorses, last week gave the UCD 35 per cent of the vote PSOE 32 per cent, the Communists 11 per cent and the right wing coalition, Coalicion Democratica (CD) 7 per cent—the remaining votes beng picked up either on the extreme right or on the extreme left. Although the percentage for the two main parties may be questionable observers are agreed that the Communist Party has made some impact and will probably increase its vote while the CD which is basically the old Alianza Popular of Sr. Manuel Fraga seems to have made little impact.

Rhodesian train attacked

By Tony Hawkins in Salisbury

ZIPRA guerrillas opened fire on a Rhodesian passenger train "at a point on the international boundary" between Rhodesia and Botswana on Saturday afternoon slightly injuring two people, Rhodesian military headquarters announced last night.

The train was halted and there was minor damage to the track.

This is the first occasion on which guerrillas are known to have attacked a passenger train on the main line through Botswana to South Africa. Although there is a direct rail link to South Africa via Beit Bridge, this does not cater for passenger traffic.

The railway line through Botswana is also used to ferry Zambian copper to the South African ports and vital imports to Zambia from South Africa. Accordingly this latest attack poses a threat to President Kaunda's government as well as to the Rhodesians.

Clampdown on Irish wages

BY STEWART DALBY IN DUBLIN

IRELAND'S GOVERNMENT is going to resist fiercely pressure for what it considers inflationary wage increases. This was the main policy statement to emerge from the annual conference of the ruling Fianna Fail party which ended after three days last night.

In his presidential address Mr. Jack Lynch, the Prime Minister said: "When we see public sector employees demanding income increases of 40 or 50 per cent it is clear that many people have lost touch with reality."

Mr. Lynch's Government had been extremely worried about the wage explosion, particularly in the public sector. Its thinking has been that wage increases must be largely single figure if the ambitious targets for growth and reduction of unemployment are to be met.

In a jibe at Britain, Mr. Lynch said it would not do to try and impose the philosophy of a neighbouring island as an example of how things should be done in Ireland.

Fighting rages in Yemen

Fighting was reported raging in the border area between the two Yemeni states as a front based in South Yemen claimed to have occupied two North Yemeni towns, Reuter reports from Amman.

The Nationalist Democratic Front (NDF) opposed to President Ali Abdullah Saleh of North Yemen said in a statement issued in Aden that its forces had occupied the towns of Qataba and Moryes just inside North Yemen but it said heavy fighting was continuing. Each side has accused the other of provoking clashes which began on Friday.

Arab League Council meeting
North Yemen called for an
to discuss the situation which North Yemeni Foreign Minister Abdullah al-Asnag said was seriously deteriorating.

Turkey renews martial law

By Metin Munir in Ankara

THE TURKISH Parliament yesterday voted by 337-225 to extend martial law in 13 of the country's 67 provinces for a further two months.

The request for the extension, tabled by the Prime Minister, Mr. Bulent Ecevit, was upheld by all the parties except the main opposition Justice Party (JP) of Mr. Suleyman Demirel. The JP is not opposed to martial law but to the way it is run by Mr. Ecevit. The Right-wing party wants a tougher martial law.

The provinces under martial law include Ankara, Istanbul and Adana as well as 10 others in Eastern Turkey where sectarian tension is high.

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Japan faces criticism of Asians at trade talks

By Brij Khindaria in Geneva

ASIAN COUNTRIES, particularly those in the Far East, are becoming increasingly dissatisfied with Japan's attitude towards their interests in the Tokyo Round table negotiations now in the closing stages here.

Surprisingly, a wider gap in ability to understand one another is reported between Japan and the Asians than between Japan and the Common Market or the U.S. Australia appears to be doing a better job of belonging to Asia than Japan.

A part of Japan's difficulties are blamed on a lack of any clear policy towards developing nations in general and south-east Asia in particular.

Japan's traditionally high tariff and non-tariff barriers to trade appear to be directed increasingly at the Asians because of an apparent misunderstanding of the needs of countries in the neighbouring region.

Tokyo seems finally to have grasped that aid to developing countries is not only a way to improve its international image but also a means of ensuring subsequent economic benefit.

In line with this, Japan has doubled its aid efforts in recent years although the proportion of official development assistance (ODA) to its gross domestic product is still well below the 0.7 per cent level set as a United Nations target.

But where Japan seems to have fallen down is its tight-fistedness concerning trading concessions and access to its markets for the processed foods, and semi-manufactured and manufactured industrial products of its neighbours.

So far Japan has pleaded that such imports from South-east Asians further threaten ailing small and medium size industries in its already disadvantaged regions. The Japanese Administration also cites political pressures in Parliament from members who depend heavily on the vote of farmers.

Pakistan oil agreement

By Chris Sherwell in Islamabad

THE PAKISTAN Government has signed its third agreement with an American oil company for the exploitation of the country's untapped oil resources. The agreement, with Occidental, covers exploration and production in the Sukkur area of the southern province of Sind.

Last year the Pakistan Government signed agreements with Amoco and with Gulf, the latter incorporating the novel feature of World Bank involvement. In January, Canada provided Pakistan with a $15m soft loan for exploration and for development.

Under the latest agreement, Occidental will shoulder 80 per cent of the risk capital on exploration and drilling, with Pakistan's Oil and Gas Development Corporation (OGDC) bearing the remainder.

Sweden decides not to develop new light attack aircraft

BY WILLIAM DULLFORCE IN STOCKHOLM

THE LIBERAL minority Government has decided against developing new light attack aircraft for the Swedish air force. Its decision will probably lead to the dismantling of Saab-Scania's aircraft research and development capacity. It also implies a departure from Sweden's post-war defence philosophy of manufacturing essential weaponry at home.

With backing from the Social-Democrat opposition and the Centre Party the Liberals will have a parliamentary majority behind them. Mr. Ola Ullsten, the Prime Minister, said Saab-Scania would be able to continue its aircraft operations in reduced format.

The company was already negotiating new contracts with foreign manufacturers and could get Government support for a switch to civil aircraft activities. An industrial fund of some SKr 300m (£34.5m) could be established for this purpose.

Saab-Scania has component supply contracts with British Aerospace and McDonnell Douglas and has also been discussing co-operation on new aircraft with Airbus Industries and the Dutch Fokker company.

The Swedish Commander-in-Chief, General Lennart Ljung, will now devise a procurement programme for the air force based on the Saab-Scania Viggen currently in series production. The alternatives involve development of a new attack version of this aircraft and larger orders for both the present attack version and the interceptor version.

Mr. Ullsten also envisaged the possibility that Saab-Scania could build a "new" armed trainer, simpler in design and cheaper than the light attack aircraft project.

SHIPPING REPORT

Freight rates in grain trade improve sharply

BY OUR SHIPPING CORRESPONDENT

FREIGHT rates in the grain trades improved sharply in some areas last week, showing owners' success in starting to recoup higher fuel costs and some shortage of tonnage following heavy Russian chartering.

Rates were particularly strong for the Gulf-Japan grain voyage, with a 50,000 ton cargo reaching $14.75, which is $1.50 better than in the early part of the year and a solid improvement on the previous week.

Brokers believe that the market will continue to rise during March, in spite of the return of a number of combined oil-ore carriers into the dry trades.

The decision by some owners of combined vessels to rely on dry trades rather than the oil business is mainly a reflection of continued problems in Iran.

With an excess of large tonnage still available in the Gulf, rates for VLCCs remain depressed at Worldscale 20 for the voyage west.

In other tanker loading areas, there is a high degree of activity as traders seek alternative sources to the Gulf, but this appears to have raised rates last week only in the Caribbean.

In all sectors, owners are trying hard to push up rates to cover higher bunker charges. Many liner conferences, which do not have to wait for the market to respond as do spot trading ships, have already announced bunker surcharges of between 7 and 8 per cent.

World Economic Indicators

TRADE STATISTICS

		Jan. '79	Dec. '78	Nov. '78	Jan. '78
UK £bn	Exports	2.814	3.149	3.024	2.625
	Imports	2.933	3.082	3.132	2.959
	Balance	−0.119	+0.067	−0.108	−0.334
W. Germany DMbn	Exports	23.102	25.040	25.395	21.312
	Imports	21.053	21.203	21.843	19.414
	Balance	+2.049	+3.840	+3.552	+1.898
France Frsbn	Exports	31.850	30.543	31.857	26.877
	Imports	31.800	31.414	31.533	28.713
	Balance	+0.051	−0.871	+0.324	−1.854
		Dec. '78	Nov. '78	Oct. '78	Dec. '77
U.S. $bn	Exports	13.140	13.261	13.010	11.030
	Imports	15.188	15.207	15.140	13.059
	Balance	−2.070	−1.946	−2.130	−2.029
		Nov. '78	Oct. '78	Sept. '78	Nov. '77
Italy Lirabn	Exports	4.601	4.450	3.692	3.518
	Imports	4.372	4.215	3.753	3.265
	Balance	+0.229	+0.235	−0.071	+0.253
Holland Fl.bn	Exports	9.629	9.602	9.407	9.610
	Imports	10.404	10.442	9.653	9.546
	Balance	−0.775	−0.824	−0.246	+0.064
		Oct. '78	Sept. '78	Aug. '78	Oct. '77
Japan $bn	Exports	8.516	8.906	8.070	7.028
	Imports	6.981	6.813	6.020	5.813
	Balance	+1.535	+2.093	+1.250	+1.215
Belgium Frs.bn	Exports	136.091	120.048	94.337	119.338
	Imports	134.484	120.720	119.226	124.097
	Balance	+1.607	−0.672	−24.889	−4.759

New steel plant for India is proposed

By K. K. Sharma in New Delhi

A CONSORTIUM of French companies is to submit a proposal for establishing a port-based steel plant in India "within a few weeks." A technical team is to visit India to make a feasibility study of the project.

This was indicated by Mr. Stephane Thouvenot, leader of a 24-member delegation of French industrialists and bankers which has just completed a 12-day visit to India.

India has been seeking offers for port-based steel plants from other countries on the basis that the investors will buy back all or part of the steel produced. If the French offer is accepted, it will be the first major investment by France in this country.

The steel project will involve substantial financial investment and, although Mr. Thouvenot said that the main object of his visit was to identify areas in which transfer of technology could take place, this aspect will inevitably be part of the proposal.

The other main area that appears to have been identified for collaboration is the automobile industry.

The Ministry of Industry has been seeking technology for improving the performance of Indian cars which are obsolete models. The ministry also wants the production capacity of commercial vehicles in the country increased.

The six major areas identified for Indo-French industrial collaboration and transfer of technology are chemicals, steel, automobiles, coal, oil and telecommunications. Agro-industries, like dairies and food processing are also being investigated.

FRENCH STATE VISIT

Mexico begins to call the tune

BY WILLIAM CHISLETT IN MEXICO CITY

HARD ON the heels of the visit to Mexico by President Carter comes President Giscard d'Estaing who arrives here on Wednesday for four days of discussions. It will be the first visit to Mexico by a French Head of State since President de Gaulle came here in 1964, and emphasises the feeling that everyone is now trying to court oil-rich Mexico.

The main commercial interest of the visit is likely to centre on the agreement, drawn up last December when the French Industry Minister came here, for Mexico to export 100,000 barrels of oil a day to France after 1980.

Then there was talk of the French insisting that the petrofrancs remained in a Mexican account in the BFCE (the French Foreign Commerce Bank) in order to pressure Mexico into buying French capital goods. But now it has become clear that this is not to the Mexicans' liking and reportedly the idea has been scrapped.

There was also some haggling over the price of the oil, as Mexico sells at higher prices than OPEC, but now this seems to have been ironed out and the French reluctantly accept the price.

The French normally like to try to link their deals, but in the case of Mexico this has not proved successful and if pursued would probably run the risk of annulling the oil agreement. Pemex, the State-owned oil monopoly, is having no trouble in increasing its exports —currently just over 500,000 b/d—and can easily find other markets or increase sales to its present ones without entering into price and linkage arguments.

While part of the reason for selling to France is that it would see the fulfilment of Pemex's desire to start to diversify its markets, so as not to be so dependent upon the U.S. which takes 90 per cent of Mexican oil imports, this does not mean at any price.

At about the same time the French deal was drawn up Pemex finalised an agreement to sell 10,000 b/d to Spain after 1980. That arrangement went through without Madrid attempting to twist the Mexican arm and the French have apparently taken the hint.

Assuming that the oil agreement goes ahead, which seems most likely as France is looking to secure an alternative source in the wake of the Iranian troubles, then Mexico's trade deficit would almost overnight be converted into a substantial surplus.

In 1978 France's sales to Mexico were worth an estimated FFrs 1.4bn (£165m) and Mexico's to France FFrs400m, according to French statistics. This gave France a surplus of FFrs1bn compared to FFrs564m in 1977. Over the years France's imports from Mexico, chiefly coffee and precious metals have been declining and its exports increasing. These are mainly car parts and capital goods for the electrical and machine industries.

The sale of 100,000 b/d of oil after 1980, by which time Mexico's oil production will be at least 2m b/d, will be worth at current prices £250m for Mexico—not far short of twice the value of France's exports in 1978 to Mexico.

This will give Mexico for 1980 an estimated surplus of £176m and so the need for France to redress the commercial balance is evident. But how to achieve it is difficult to perceive.

Total cumulative French investment in Mexico is estimated at 612m pesos (£13.6m) only 1.7 per cent of the total foreign investment. Britain's is 3.9 per cent and the U.S. 72 per cent.

Mexico is France's third largest customer and supplier in Latin America but still only takes 0.3 per cent of total French exports.

Total business is small, but on the horizon are several important deals. Thomson CSF has in the pipeline a FFr 200m to FFr 300m contract to supply radar control equipment and Creusot-Loire for a similar contract to supply machinery to a steel plant near Monterrey.

Ateliers du Nord de France, the railway equipment company, was invited by GEC to come in on its group bid for the contract for the Mexico suburban railway project, worth £500m and GEC is said to have been one of the front runners for the delayed project.

The French visit, with five Ministers accompanying President Giscard d'Estaing, is a clear attempt to try to get into the Mexican market as it expands. The Mexican President, Sr. Jose Lopez Portillo, told President Carter during their discussions that Mexico was interested in joining GATT and gradually lowering the high degree of protectionism. This will benefit France in the long term, but it is most unlikely that it will redress the commercial balance.

EEC looks to Latin America for energy

BY HUGH O'SHAUGHNESSY

DR. GUIDO BRUNNER, the EEC Commissioner with responsibility for energy, returns to Brussels today after a week's visit to Venezuela and Ecuador which formed part of a Community drive to develop new sources of energy in Latin America.

During his visit to Caracas he stated that the Community was interested in offering Venezuelan technical co-operation in oil exploration, coal mining, solar energy and other fields.

He visited General Rafael Alfonzo Ravard, chairman of Petróleos de Venezuela, the state oil company and Dr. Freddy Arocha, the acting Energy Minister.

He continued to Quito for talks with the Ecuadorean government.

Meanwhile it is reported from Georgetown that Guyana has signed an agreement with the French company Cogema for the exploration and extraction of uranium within its borders.

Proposals for the Community to diversify its supplies and increase co-operation with the developing world in the sphere of energy are to be presented to the Council of Ministers next month.

£2.6m truck order for UK

THE TIMBER Corporation of Rangoon, Burma, has placed a £2.6m order for 140 logging trucks and 30 trailers with Blackwood Hodge, the international earthmoving equipment sales and service group.

This is the second order from the Rangoon Timber Corporation—last year it bought £3m worth of similar equipment.

Accountancy talks on U.S. 'peer reviews'

BY MICHAEL LAFFERTY AND TERRY OGG

LEADING EUROPEAN accountants will meet members of the American Institute of Certified Public Accountants in Amsterdam on March 5 to discuss a possible extension of U.S. "peer reviews" to include UK and European accountancy firms.

It is the first time that European professional bodies have united to discuss a point with their U.S. colleagues and it reflects the concern felt at all levels of the profession in the UK and on the Continent.

Peer reviews involve a complete examination of the procedures and practices adopted by accounting firms auditing companies listed on U.S. stock exchanges.

It was imposed on U.S. accounting firms by the Securities and Exchange Commission which always envisaged the extension of the practice overseas.

A Peer Review Manual written for the institute states that the review "should be concerned with the accounting and auditing engagements performed by the U.S. offices of the reviewed firm and the supervision and control of work on segments of such engagements performed outside the U.S."

It adds that there would be practical difficulties in extending field reviews to cover work performed outside the U.S. by non-U.S. offices, affiliates or correspondents.

The Amsterdam meeting will involve professional accountancy bodies of the UK, West Germany, France and Holland and it follows discussions between leading officials of the UK Institute of Chartered Accountants and the AICPA late last year.

Essentially the Europeans *will seek clarification from the* AICPA on what the U.S. Government agencies are demanding and how the Europeans are likely to be involved.

One fear is that the AICPA has given into the Securities and Exchange Commission threats to withdraw support for self-regulation by the U.S. profession unless they met all the criteria laid down in the commission's report to Congress.

In its comments on peer reviews, the commission stressed that it "must have sufficient access to the process (of peer reviews) to permit it to make an objective evaluation of its adequacy."

What concerns the UK and European accountants is the *implicit suggestion that* outsider may get to see highly confidential files on non-U.S. clients.

The Amsterdam meeting is the first of a series of talks between the professional organisations on either side of the Atlantic, and it is unlikely that anything conclusive will be decided there.

After listening to the Americans, the Europeans want time to consider their position. But they are likely to stress the belief that the onus of proving that there is proper quality control of audit work performed outside the U.S. on foreign operations of SEC-registered companies rests firmly with the primary auditor reporting in the U.S.

Traditionally, regulations affecting accountancy practice are discussed by the professional bodies of the various countries and a consensus is agreed. Then a joint approach is made through the relevant country association to the Government or agency concerned.

As if to underline the strength of feeling on this issue a direct approach by the Europeans to the SEC has been mooted, it is reported.

Ulster bakery likely to make 500 redundant

BY OUR BELFAST CORRESPONDENT

NEARLY 500 redundancies are expected to be announced today by an Ulster bakery which faces closure.

Peter Pan Bakeries employs 390 people in Belfast and 100 in Londonderry, and has warned officials of the Northern Ireland Bakers' Union to expect severe job cuts. The board is issuing a statement today.

The company, part of the local Hughes-Kennedy group, has been in serious financial difficulties for several months. It has been negotiating with the Northern Ireland Department of Commerce over a possible injection of cash.

There has been no indication yet, however, that the Government will intervene. Mr. Frank Mallon, regional secretary of the bakers' union, said he understood from the management that the entire labour force would be made redundant early next month. Protective notices were issued on February 12.

The union is seeking an urgent meeting this week with Mr. Don Concannon, the Ulster Industry Minister, to press for Government intervention. The bakery in Belfast is one of the main employers in the unemployment black spot in the west of the city.

Mr. Mallon claimed that Government bread pricing policy which militated against the smaller bakeries was largely responsible for the company's position. The union believed that £500,000 short-term aid was needed to keep the bakery working.

Grain stores almost empty

BY CHRISTOPHER PARKES

GRAIN STORES big enough to hold 300,000 tonnes of corn and built a year ago to fulfil Common Market obligations costing nearly £4m, are standing almost empty.

Only one corner is filled—with 20,000 tonnes of barley remaining from the 1977 harvest. Storage and administration charges of £31,000 for the past 12 months have been paid by the EEC farm fund.

The £3.7m cost of the stores—which include converted aircraft hangars and Government buildings—was absorbed by the British taxpayer.

The Intervention Board for Agricultural Produce, which operates the Community's support buying schemes for surplus food is trying to use the space to stockpile excess milk powder, but its plans have yet to be approved.

The board, which was embarrassed to admit the establishment of the stores last year, prepared the space over fears that much of the bumper 1977 harvest might have to be bought up and stored.

"Mountain-building," so prevalent elsewhere in the Community, is anathema to the British Government.

However, the British grain trade, with export subsidies from the farm fund, sold its 1977/78 grain surpluses—mostly barley—outside the Community.

Traders, used to importing cereals to fill Britain's customary shortages, successfully sold about 2m tonnes of barley. Most went to Poland and other East European countries.

Last year there was another record harvest, but once again the traders have been busy selling abroad—aided by EEC barley subsidies of more than £40 a tonne. The threatened surplus disappeared, and there are fears that the shippers may have sold too much.

Britain may now have to import barley to keep animal feed makers supplied until the harvest.

Because of the threatened shortages the Intervention Board is now trying to slow the rise of prices by selling its 20,000 tonnes of barley on the home market.

Chrysler-Lotus in £4.5m deal to build new car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE LOTUS Group will receive £4.5m from a deal with Chrysler UK involving the launch in Britain soon of a high-performance version of the Sunbeam.

The new Sunbeam Lotus, a 2.2 litre, 120 mph road-going version of the Chrysler Lotus rally car *is one of two new* sporty cars announced by Chrysler UK on the eve of the Geneva Motor Show.

More than 4,000 Sunbeam Lotus cars will be produced over the next two and a half to three years under the terms of the contract between the two groups. There could be an *extension if demand made one* worthwhile.

The Sunbeam Lotus will be on sale in the UK in June at a price probably in the region of £5,500 to £6,000.

Lotus has developed specially for it a modified version of the engine used by the Chrysler competitions department. The rest of the car is based on the Sunbeam GLS model.

In April, Chrysler UK will *also launch the Sunbeam Ti, a* derivative of the Sunbeam LS. This car will use the existing 1,598 cc Sunbeam power unit modified to give a top speed of 108 mph. It will have a price similar to the Sunbeam Lotus.

Saab pushes up-market

SAAB OF SWEDEN moves into the highly-competitive "executive" sector of the UK car market today with the launch of its 900 series.

The range of nine cars will be priced from £5,525 to £8,995 and Saab, who has 185 dealers in the country, expects to sell *around 4,800 of them in Britain* this year.

The newcomers will be competing with BL's Rover range, the Peugeot 604, the bigger Renaults, Audi and the middle-sized Mercedes among others.

The company spent £20m at its main plant at Trollhattan in Sweden on a fully-automated bodyshop for the 900s, increasing capacity from 100,000 to 120,000 a year. This relatively *small output makes it essential* that Saab pushes up-market to make higher-value cars.

Last-ditch appeal to Welsh voters to back assembly

BY ROBIN REEVES, WELSH CORRESPONDENT

A LAST-DITCH appeal to Welsh Labour supporters—half the Welsh electorate at the last General Election—to vote Yes *to the Government's Welsh* Assembly devolution proposals was made by Mr. Emrys Jones, veteran secretary of the Wales Labour Party at the weekend.

Stung by an opinion poll *indicating a massive rejection* of a Welsh Assembly in Thursday's referendum, Mr. Jones urged Welsh voters not to be deceived by arguments over the Assembly's cost.

"Wales may be poor and in need of every last penny, but we will be poorer still in dignity and spirit if on March 1 the vote goes against the assembly, mainly because we are reluctant to ask the people of *Britain as a whole to devote* £13m to the creation of such a body," he declared.

"*Wales should not stop asking* the people of Britain for more resources until rates of unemployment in Wales are as low as in the rest of the UK, until housing standards are as high as those in the south east, until Welsh schoolchildren are educated in schools as modern as those in other parts of the UK and have the opportunity of *jobs when they leave school*, and until the appalling scars on our landscape have been removed."

Appealing directly to Labour's industrial valley strongholds, which almost certainly hold the key to the referendum outcome, Mr. Jones asked: "Do the people of mid-*Glamorgan imagine, for one* moment, that the conditions in which many of them have to live would be tolerated a single day in Surrey or Sussex? Yet we (the Labour) leaders of Mid Glamorgan County Council—one of the poorest in Britain—urge them not to swap the very means to right these wrongs." This was a blunt rebuke of the council's decision last week to recommend a No vote.

Mr. Jones said further colliery and steel closures were threatened in Wales and the next 25 years would also see a revolution in the way industry works through the introduction of microprocessors.

Mr. Jones added: "The assembly will be there to ensure that Wales shapes these developments and is not shaped *by them*."

Until the latest Western Mail-Harlech Television opinion *poll, which indicated only 22* per cent would be voting in favour of the Welsh assembly and 57 per cent against, optimism had been rising in the Yes camp that the tide was flowing in their direction.

Also the poll's prediction of 77 per cent turnout of voters—remarkably high by any standard—is only one of a number of suspect results which is leading even No campaigners to question its validity.

The last major pro-assembly rally is to be held in Cardiff tomorrow, addressed by Mr. Denis Healey, the Chancellor of the Exchequer, and Mr. Michael Foot, Leader of the Commons. Mr. Michael Heseltine, the Conservative front-bench spokesman, will be the main speaker at a final No assembly campaign rally in Bridgend.

Cash boost for small companies in North

BY PAUL TAYLOR

A BUSINESS competition sponsored by Shell UK and organised by Enterprise North and Durham University Business School has resulted in additional finance being made available to small companies setting up in the North.

An interim report on the *Build Your Own Business Competition* launched last November and which ends on March 31 says that there have been over 1,000 inquiries so far about the competition but that the main problem facing the potential small business entrepreneur remains "the fear of insufficient start-up finance."

The report notes, however, that in addition to the £10,000; £5,000 and £2,500 prizes offered by Shell for the three winners, substantial additional capital has now been made available to most of the finalists.

New Town Securities, a joint National Enterprise Board and Midland Bank venture, has agreed to offer finance up to £25,000 to each competition finalist whose idea has been accepted by the judges as commercially viable and which results in the setting up of a business in the region.

The Industrial and Commercial Finance Corporation, a subsidiary of Finance for Industry, is to consider providing start-up capital for all competition entries judged commercially viable and a clearing bank has agreed to give special consideration to entries approved by the judges.

In addition, the Washington Development Corporation has offered a two-year rent-free factory, a rented home, grants for moving, and counselling service to the competition winner providing he sets up a company in Washington New Town.

Petrol tax proposal supported

By Paul Taylor

THE GOVERNMENT'S plan to replace the road fund licence with petrol tax by 1983 has received support from an independent study unit of the Open University.

A report by transport researchers in the Open University's New Towns Study Unit suggests that the poorer motorist will benefit from the change and that rural motorists *have exaggerated the effects of* the proposal.

Mr. Steve Cousins and Mr. Steve Potter, the researchers, argue that the replacement of Vehicle Excise Duty with a 19-20p a gallon petrol duty will achieve the aim of linking motoring costs more directly to car use rather than ownership.

Since cars in high-income households tend to have a much higher annual mileage than those in low-income households, the change will "merely revise the current position where low-income households pay proportionally more road tax per mile travelled."

The report also says that, while the proposed changes have provoked "a furore" among rural motorists, this is not justified on examination. While rural motorists travel in general about 8 per cent more miles than urban drivers, the country driver benefits from better petrol consumption, the report claims. It suggests, however, that because drivers in Northern Ireland use about 15 *per cent* more petrol a year than drivers in England, Northern Ireland may merit a regional tax different from Great Britain.

Road Tax Changes—Who Gains, Who Loses? New Towns Study Unit of the Open University, £1.

Abattoir plan may be dropped

By Our Welsh Correspondent

AN AMBITIOUS venture to modernise meat marketing facilities in mid-Wales is in danger of being abandoned because of alleged bureaucratic delays in Wales and Whitehall.

Mr. Colin Forsythe, a Scottish financier, and head of a new company, Welsh Meat Holdings, announced this week that he is to suspend work on Wednesday on a £2m abattoir, near Lampeter in mid-Wales because of "intolerable" delays by Ministry of Agriculture officials in approving the scheme.

He has written to Mr. John Silkin, Agriculture Minister, warning that unless there is a decision by Wednesday all building work on the new abattoir, now well under way, will be halted indefinitely, and the labour force laid off.

Finance directors face a changing role

BY MICHAEL LAFFERTY

FINANCE DIRECTORS must be more aware of political and *social issues in future as the* volume and nature of information provided by companies to different interests brings them closer to sensitive areas, says a report to the accounting profession.

The report on the changing role of the finance function was published this week by the Hundred Group of Chartered Accountants.

The working party which prepared it includes Mr. Fred Hillebrandt, finance director of ICI; Mr. F. R. Black, finance director of Thomas Tilling; and Mr. H. G. Mourgue, finance director of Thorn Electrical Industries, and other large company finance chiefs.

The report finds that there has been a substantial evolution in the finance function from the mere recording and interpreting of financial information and the *rendering of accounts of stewardship.*

● *"The Changing Role of the Finance Function," obtainable from The London Soci ty of Chartered Accountants, 38 Finsbury Square, London EC2A 1PX. Price £5.*

Lloyds seeks merchant executives

SIX EXECUTIVES are sought by Lloyds Bank International for its new merchant banking department.

The bank wants one or more *deputies to Mr. David Horne*, who was recruited from Williams and Glyns last year to head the new department, as well as a number of other executives.

At present the department, intended to be the domestic merchant banking arm of the Lloyds Bank group, consists of only four people.

The salary offered for the position of deputy head of corporate finance is £20,000, together "with a car and the usual banking sector benefits."

Applicants need corporate finance experience at a senior level in a major merchant bank or company. They should also *have a legal, accounting or business* school background.

Heart attacks linked to sunspots theory

BY DAVID FISHLOCK, SCIENCE EDITOR

A LINK between sunspots and heart attacks is suggested by a scientific report in the journal Nature.

The authors believe they have found a statistical correlation between solar activity and the small changes this causes in the strength of the earth's magnetic field and admissions of heart attack victims to two hospitals in Hyderabad, West Pakistan.

They used figures for the earth's average geomagnetic *activity recorded by the International* Union of Geodesy and Geophysics, over the period 1967-72, when more than 5,000 patients were admitted to the two hospitals. The suggestion is made that an increase in magnetic field strength may in some way trigger heart attacks in a person already predisposed to suffer one—perhaps by interfering with the heart's natural pace-making mechanism.

If the link is verified, even sleeping on an electric blanket could be worrying for cardiac *cases, because it exposes the* sleeper to a magnetic field

Overseas investment controls attacked

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

EXCHANGE CONTROLS on capital movements overseas are strongly attacked for damaging the economy and curtailing individual freedom in a study published this morning by the Institute of Economic Affairs.

The report, by Mr. Robert Miller and Mr. John B. Wod, *reviews the history of controls* from 1939 and concludes that the case for exchange controls *to protect the exchange rate*, or the official reserves, or to increase employment, cannot be substantiated.

"If domestic fiscal and monetary policies are out of hand, and lead to inflation, then no amount of exchange control will protect the exchange rate. And if domestic financial policies avoid inflation, then the exchange rate will not need the protection of exchange control."

The Government has opposed any more than a minor relaxation of exchange controls, *though the issue could be* reopened after the election if the Conservatives come to power, since they are *committed* to easing controls on capital movements.

The study argues that exchange control has failed to protect the economy against recurring balance of payments crises, and has distorted the pattern of trade and investment.

"The chief misunderstanding is the assumption that unemployment is determined by the size of the capital stock at home, regardless of the type of investment, the pressure of demand, or, not least, the *efficiency of the labour market.* None of these elements is affected by the weight of investment abroad."

The authors say "the removal of restrictions on investment overseas would encourage the build-up of both assets and income abroad, which would strengthen the international balance sheet, if that were the preferred alternative to investment at home."

The decisive consideration for ending the controls is, according to the study, that it would remove restrictions on liberty. "The state's power to prevent individuals doing what they *wish with their own money* is fundamentally undesirable in principle, however unimportant *it may sometimes appear to be* in practice."

"Exchange Control for Ever?" by Mr. Robert Miller and Mr. John B. Wood. Research Monograph 33, price £1.50.

Callaghan meeting with unions could decide miners' claim

BY CHRISTIAN TYLER, LABOUR EDITOR

A MEETING today between the Prime Minister and leaders of the National Union of Mineworkers could decide whether the miners' pay claim will be settled peacefully this year.

Negotiations over the miners' claim for rises of up to 40 per cent have already begun. But they hinge on the *Government's* readiness to increase the operating subsidy of the *National* Coal Board from £124m to £250m a year.

In spite of some recent alarm that the increase would not be forthcoming, the union appeared confident on the eve of the talks that the Prime Minister would confirm the increase.

Although the talks at No. 10, Downing Street, are said to be *about* the general future of the industry, and the Government's commitments under the Plan for Coal and its extension Coal 2000, the pay negotiations will be uppermost in the minds of both sides.

If Mr. Callaghan confirms the subsidy increase, the moderate majority on the NUM executive will expect to approach an acceptable deal with the Board in talks planned for tomorrow.

On the assumption that the £250m *will* be paid, the Board has offered the union the equivalent of just over 9 per *cent. Over 7 per cent* of that is a £52.5m addition to wages plus money for extra efficiency, including items like staggered meal breaks with which the union negotiators are not happy.

In addition, the Board is holding out the possibility of more than £20m of extra earnings through changes in the existing area incentive bonus schemes.

The Board is reported not to be keen on a 20-month deal for the miners in response to their demand for an eight-month deal. But the Government is attracted by this idea as a way of *cushioning any mood* within the union for a much bigger increase than that already on *the table.*

Part of the package is not new money, but the consolida*tion of supplements* into basic rates which would feed through into the overtime and other premium payments of the miners.

There may also be arguments that the proposed increase in the "standard" coalface bonus payment from £23.50 a week to £26.50.

The negotiations are extremely complicated this year, quite apart from their political delicacy. But Ministers appear more sanguine than they were a few weeks ago about the chances of a peaceful and not too expensive deal.

Whatever the miners win would become the automatic target of the electricity supply workers and the railwaymen. The power workers, led by Mr. Frank Chapple of the Electrical and Plumbing Trades Union, will look particularly keenly at improvements in the miners bonus schemes.

Teaching unions in row over pay claim tactics

BY OUR LABOUR EDITOR

TWO teachers' unions have fallen out about negotiating tactics on a joint 36.5 per cent pay claim.

Leaders of the National Association of Head Teachers, with 20,000 members, warned that they would oppose any attempt to have the money paid all at once.

They accused the National Union of Teachers, which has 280,000 members, of wanting to use its strength to insist that the money is all paid on this year's April settlement date. The award should be staged, perhaps over two years, an NAHT official said.

But yesterday Mr. Fred Jarvis, general secretary of the NUT, said that at no time during last week's meeting of all the unions had the NAHT dissented from the claim, nor proposed that the settlement should be staged.

"If the employers do propose any phasing, that would be considered in the course of negotiations which have not yet started," he said.

The unions are seeking the amount by which they say the pay for the 480,000 teachers has fallen behind other non-manual groups since the Houghton award of 1974.

Call for NEB to save special steels industry

BY OUR SHEFFIELD CORRESPONDENT

UNION LEADERS in the Sheffield steel and engineering industries are calling for the National Enterprise Board to intervene and prevent the collapse of parts of the local special steels industry.

They want Mr. Eric Varley, Industry Secretary, to visit Sheffield to discuss with full-time union officials and shop stewards the dangers to thousands of jobs made clear by the National Economic Development Council.

In a report this month, the Council's sector working party on iron and steel quoted a consultant's verdict that such a collapse could occur unless "market sanity" returned to special steel. Dumping by EEC producers is said to be one of the main reasons for private sector problems.

A week-end meeting of leaders of all the big unions, together with local MPs and Sheffield City Council members, also expressed concern that larger private sector companies, together with the British Steel Corporation, may now be planning a "carve up" of special steel which could lead to smaller firms going out of business.

Mr. George Caborn, district secretary of the Amalgamated Union of Engineering Workers said the position was now so serious that even the promise of Government finance, through the Industry Act and other provisions was being rejected by some steel companies. The NEB had to move in to take the vital decisions necessary to safeguard a strategic industry.

Union leaders were particularly worried, he said, about the future of some parts of two big steel groups, Hadfield and Edgar Allen Balfour.

The NEDC report spoke of the loss of thousands of jobs in the special steels industry since 1975. A campaign by unions, *local authorities and industry* groups for protection for UK special steel makers has been underway for over a year.

There is, however, one ray of hope. The BSC River Don plant, its main foundry and forging complex is understood to be breaking even before interest, on the first nine months of its *financial year.* For many years, the plant has been the corporation's main Sheffield lossmaker.

In the private sector, Barworth Flockton, a tool and high-speed steel company has announced a £3.5m modernisation programme which will include a new press and a GFM automatic forging machine.

ASTMS seeks parity with European pay

WHITE-COLLAR workers in the chemical, oil and pharmaceutical industries are being urged to *demand "purchasing power* parity" with their European counterparts.

In a paper *circulated* to all companies by the Association of Scientific, Technical and Managerial Staffs, they are told to have nothing to do with any board set up to consider pay relativities within the UK.

Mr. Roger Lyons, a national officer of ASTMS, said yesterday that the 200,000 staff in these industries "were no longer prepared to tolerate a position of inferiority within multi-national corporatons."

Any further national pay controls and any suggestions of *relativity boards in the private* sector would be strongly contested by ASTMS members. ASTMS claims about a third of the staff.

ASTMS settlements in Stage Three of the pay policy had been between 15 and 22 *per cent*, Mr. Lyons said. This year the target was international parity of purchasing power.

GEC workers face lock-out

Another 200 GEC workers in Lincoln could be locked out today for ignoring a warning to withdraw sanctions in support of a 20 per cent pay claim.

About 1,600 workers at Rushton gas turbines and Napier Turbo Charges have been locked out for more than a fortnight following a pay dispute.

Now workers at GEC's English Electric Valve plant have been told that unless sanctions are withdrawn by 4.30 pm today they will be locked out.

The action could also affect 800 workers at the adjoining AEI factory, also GEC-owned.

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FINANCIAL TIMES GROCERY PRICE INDEX

Frozen foods cause small rise in costs

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE Financial Times' grocery prices index rose only marginally during February after the sharp increase in January.

The February index was 108.65, an increase of only 0.11 on the January total. But the January jump of 3.3 per cent had been the largest since the basket was re-launched last March.

The biggest increase in the shopping basket in February came not from meat, dairy products or fresh vegetables—which have all increased sharply in recent months — but from frozen food.

The total cost of frozen foods monitored rose by £5 to reach £195.36 with the increase blamed on shortages following the panic buying during the lorry drivers' strike as well as the bad weather hitting supplies.

Frozen peas were up 1p to 25p for an 8 oz packet in many shops, with frozen chickens up by 4p per pound to reach an average of 48p per pound.

The Financial Times shopping basket is based on data collected by 25 FT shoppers who monitor 100 items each month in food stores of all sizes and types throughout the UK. The basket is not intended as an absolute guide to prices but—because it is more up-to-date than official prices comparisons—it provides an early indicator of grocery price trends.

After last month's steep rise for fresh fruit and vegetables—the total cost this month was down in the FT shopping basket.

Although the bad weather had again caused an increase in some vegetables—cabbages, for example, were up by 5p to 12p per pound on average — the fall was mainly due to a substantial drop in prices for tomatoes due to greater supplies. From about 53p per pound on average, they dropped to around 40p. Apples, too, were generally much cheaper.

Dropped

Dairy produce was marginally cheaper in total this month after a sharp rise last month. After having risen in price for the past few months, eggs have dropped by about 3p per half dozen to 29p.

But butter and cheese have both risen again this month, butter by about 2p per half pound and cheddar cheese by 4p per pound.

Elsewhere in the basket there was little change from last month, although beef and pork were down in price.

Inquiries about the grocery basket should be made to Lucinda Wetherall at the Financial Times.

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THE FINANCIAL TIMES SHOPPING BASKET

FEBRUARY, 1979

	February £	January £
Dairy produce	528.65	528.96
Sugar, tea, coffee, soft drinks	177.86	177.87
Bread, flour and cereals	245.71	244.32
Preserves and dry groceries	88.28	88.17
Sauces and pickles	43.68	42.45
Canned goods	159.13	157.13
Frozen foods	195.36	190.36
Meat, bacon, etc. (fresh)	468.38	470.03
Fruit and vegetables	220.71	226.46
Non-foods	181.47	181.03
Total	2,309.23	2,306.78

Index for February: 108.65.

1978: March 100; April 101.77; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67; December 105.10.

1979: January 108.54; February 108.65.

Arab group pays £4.8m for Carpets of Worth

By Richard Cowper

A CONSORTIUM of Arab investors operating under the name Near Karn has bought Carpets of Worth, the sole remaining part of Bond Worth Holdings which crashed in 1977 with debts of about £20m. The price is £4.8m.

Carpets of Worth, one of the leading producers of Axminster carpets and rugs in the UK, continued to operate successfully under the control of the Receiver during the past 18 months, making an estimated trading profit of about £1m last year.

Fears that the new buyers would take the opportunity of running the company on a reduced workforce after the Receiver gave out redundancy notices to the 1,300 employees on Friday were allayed yesterday when it was announced that they would all be kept on under the same terms of employment.

Mr. David Carter, the general secretary of the Powerloom Carpet Weavers and Textile Workers Union said: "This takeover is a great relief to our members.

"They now know clearly where they stand, and the fact they have all been offered jobs at no less favourable terms and conditions means that not only has this company an assured future, but that there is still considerable confidence in the British carpet industry."

RELIEF

Mr. Barry Wild, present managing director, said: "When I announced the news to the workers, I could almost feel the relief. The company will continue to trade under the name Carpets of Worth and all its executive directors have been offered positions."

Carpets of Worth operates one of the most modern spool Axminster plants in the industry. This system, which uses a number of high-speed looms, was put into the Kidderminster works only four years ago.

Since Bond Worth Holdings collapsed, when it was one of Europe's biggest textile and furnishing groups, it has managed to sell both the wholesale and furnishing branches of its business. Recently it succeeded in selling the Meredew Furniture Company to Stagg for £1.5m.

The carpet manufacturing town of Kidderminster will suffer another blow on Friday when the Irish-based company of Youghal closes down its Morris Carpets subsidiary.

THE KNUTSFORD BY-ELECTION

BY ELINOR GOODMAN

Unassailable Tories make union power the issue

ACCORDING TO the Conservative candidate in Knutsford, Mr. Jock Bruce-Gardyne, the voters there have a two-fold responsibility when they go to the polls on Thursday. First, they must demonstrate to the "thugs and bully boys" that the country has had enough; and second they must show the Prime Minister that even if he can cobble up some agreement with the Scottish Nationalists after this week's referendum to keep his Government in office for a few more months, the English electorate would not stand for it.

Both obligations require, in his view, a "resounding" Conservative victory. There is little doubt he will get it. The Knutsford constituency which stretches across 36 miles of rich farming land within easy commuting distance of Manchester, has been held by the Conservatives for the last 57 years. The nearest challenge was when the Liberals came within 3,000 votes of taking it, but that was in 1929.

With its large farms, neat prosperous villages and discreet private housing estates, it has the outward appearance of being natural Tory country. Home ownership is above the national average and only in Partington, a bleak overspill town of Manchester, can Labour normally count on a hard core of working class support. This time, according to one Liberal canvasser, it looks like being a "red hot bed of abstentionism."

Mr. John Davies, whose resignation has caused the bye-election, had a majority of 10,426 at the last election and this time all the other parties are modestly asking is that Mr. Jock Bruce-Gardyne should not be given too big a majority. What is at issue, everyone agrees, is not who wins but by how much and to whom.

If the Liberals fail to hold on to second place, it will be very disappointing for the party which seems to regard Knutsford as a preliminary for the bye-election in Edge Hill which they believe they have a genuine chance of winning. In the past, support for the Liberals has proved less volatile in Knutsford than in many other constituencies. As in some parts of the West Country there still seems to be a Methodist tradition of voting Liberal in the rural areas.

Equally, a big drop in the Labour vote would demonstrate to Mr. Callaghan the grave dangers of going to the country at a time when the nation's industrial problems are being shoved under everybody's nose in the all too visible stacks of rubbish. Knutsford has not fared badly from the current bout of strikes—the schools have not been shut—but the media has ensured that most people know that even if their hospital is not closed, others have been. As if to rub his face in just what a difficult task he has, the Labour candidate's headquarters are just opposite a pile of mouldering rubbish.

Confident Conservative candidate Mr. Jock Bruce-Gardyne (left) and the Labour flag-bearer Mr. Alan Barton

Increase

The organisers from Conservative Central Office would like to see an increase both in their share of the vote—51 per cent last time—and in the turnout of 78.8 per cent. Though there are very few visible signs of any interest in the election, Mr. Bruce-Gardyne claims his meetings have been very well attended. Last week 50 or 60 people were battling through the snow to reach his meetings and one overflowed the village hall. According to a local organiser, Knutsford Conservatives like their politicians to be "tough and not shirk the difficult issues." If this means being on the Right of the party, they have got the right man in Mr. Bruce-Gardyne.

A leader writer on the Daily Telegraph, he lost what was once thought to be the rock solid safe seat of South Angus to the Scottish Nationalists in 1974.

In the past he has supported the lifting of sanctions on Rhodesia and he says he would vote for the re-introduction of hanging on a free vote. Like Mrs. Thatcher he favours a reduced role for central government. His economic views are closer to those of Sir Keith Joseph than those of, say, Mr. James Prior, and in some areas go further than official party policy. At a constituency meeting, for example, he said he was in favour of abolishing the Price Commission while, when questioned, he also admits that his kind of economic policies would inevitably lead to an increase in unemployment in the short term.

But, as all the candidates acknowledge, the main issue in this bye-election has not been inflation, or any local issue but the single question of union power. Mr. Bruce-Gardyne has made much of the party's plans for controlling the unions and claims to have found considerable support for these policies in the council estates. To the delight of local party workers, he has also not spared his words when describing the action of NUPE members. "Bully boys" is just one phrase he has used. Ironically, given the fact that Mr. Bruce-Gardyne is himself a right-winger he is being opposed by an Independent Conservative standing on a pro-Rhodesia ticket. Mr. Michael Byrne, a teacher from Hereford, has invested his savings in fighting a campaign based solely on the need to support the transitional Government and lift sanctions. Last week, he proved elusive and he is not expected to be anything but a minor embarrassment to the Conservatives.

Mr. Bob Ingham, the Liberal candidate, regards Mr. Bruce-Gardyne's views as a positive help to him in his campaign to attract the moderate voter, though it is the Liberals who are threatening to sue NUPE for preventing a political meeting taking place. Mr. Ingham, who looks like a benign version of the Chancellor of the Exchequer and has a remarkable knack for avoiding difficult questions by telling funny stories, is presenting Mr. Bruce-Gardyne as "Mrs. Thatcher's Wedgwood Benn." At the Liberals' modest headquarters, copies of Mr. Bruce-Gardyne's leaflet about "bully boys" are distributed and Mr. Ingham is doing his best to embarrass the Tories further by quoting Mr. Heath's remarks about the need for the parties to sit down and talk sensibly about the major issues.

Last week, Mr. Ingham who works locally, was basically using the Liberal leaders' last party political broadcast as the text for his campaign. He claimed that nobody had mentioned the Liberals' pact with the Government; still less the problems of the party's former leader. Even so, the Liberals were not predicting the result.

In both the Conservative and Labour camps, the organisers take a very dim view of the Liberals' chances. Boundary changes make it difficult to assess precisely which party lost most votes to the Liberals in 1974 at Knutsford when they took around 26 per cent of the total, but Mr. Bruce-Gardyne claims that there several thousand "disillusioned" Tories may have gone over to the Liberals and that they will now come back to the Conservative fold. Equally, the Labour candidate, Mr. Alan Barton, reckons he may woo back some of the Labour defectors in Partington this time.

Mr. Barton, a teacher (from Clitheroe where this week's other bye-election is being held) is manfully trying to make the best out of a very difficult situation. He argues that the "heightened political awareness" created by the country's present industrial problems may persuade Labour supporters to make the effort and go to the polls.

He favours some form of incomes policy which helps the lower paid and reduces the differentials in society. For a start he opposes his own union's 35 per cent wage claim. He admits that he has found it difficult to always get the Government's message across and that last week's agreement with the unions has not been of much immediate help. The problem, he says, is that while the Tories "have a very simplistic message of union bashing, Labour policies are much more complicated and difficult to explain." Even so, he says that on the council estates he has found a certain sympathy for the NUPE strikers and a "horror of the kind of confrontation wish the unions advocated by Mrs. Thatcher."

Traditional

He has tried to call some of the shots himself by challenging the Tories to explain the employment implications of public expenditure cuts but admits that once he has gone outside areas of traditional support—where underspending by the council is apparently more of a grouse than overspending—he has found himself on the defensive.

If Mr. Barton is right about the present situation increasing "political awareness," the signs are that it is benefiting the Conservatives more than Labour. Barely a house in Partington last week sported a Labour poster and Mr. Barton's meetings have generally been less well attended than those of the Conservatives.

In London, the Conservative organisers have not placed much credence on the polls which suggest a national 20 per cent Conservative lead, and put the real lead at nearer 5 per cent. Nevertheless, Mr. Bruce-Gardyne is hoping that Knutsford will show a large swing in his favour. He believes that such a result would make it more difficult for the minor parties to continue to be seen to prop up the Government throughout the summer.

A safe seat like Knutsford will not give any very accurate indication of what might happen nationally in a general election but the result will be just one of the entrails which Mr. Callaghan will be studying this time next week.

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The SAAB 900 is roomy and spacious. To give some idea, it's slightly longer than the *Rover 3500*. But inside *you'll notice the difference* – velour upholstery and trim, exude luxury. On the top models there's even seat belts and head rests for the rear passengers.

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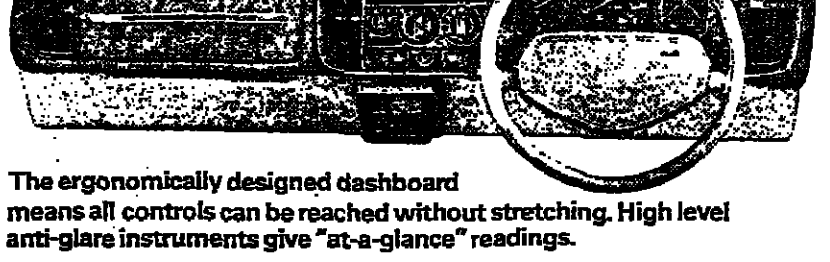

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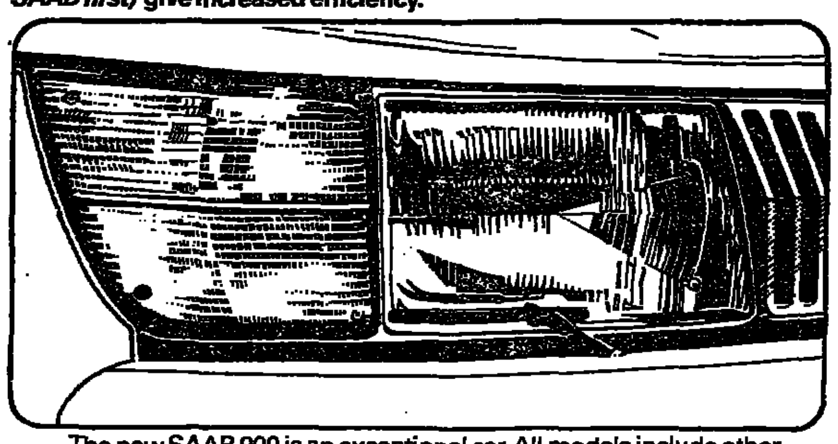

The new SAAB 900 is an exceptional car. All models include other SAAB firsts as standard i.e. headlamp washers and wipers, efficient energy-absorbing bumpers, heat and sound insulation roof lining. The rear seats of the 900 will fold down to give you over 6 feet of flat loadspace and there's no awkward sill to lift over. Inside is a cavernous 53 cubic feet of luggage space.

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***You're very welcome to come along and view the new SAAB 900 at your leisure.* On Saturday 3rd and Sunday 4th* of March all SAAB dealers will be open all day and some will be holding special events. Your local dealer will have the details.**

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Building and Civil Engineering

Fairclough wins £18m coal-mining work

MINING OF about 1½m tonnes of coal in Yorkshire will be carried out by Fairclough-Parkinson Mining under an £18m contract awarded by the National Coal Board Opencast Executive.

Situated near Leeds on a site known as Gamblethorpe, opencast methods will be employed to mine the coal over a period of eight years, after which time the land will be restored to agriculture.

Coal from Gamblethorpe will be carried to a nearby preparation plant for screening, prior to distribution for domestic, industrial and power station use.

New mine adjoins Charcoil site where the company has just completed recovery of 2m tonnes of coal and is now restoring the site and landscaping the area for agricultural use. Before surface mining operations started this land included the derelict Waterloo Main Colliery.

The company is a member of the Fairclough Construction Group.

Laing gets jobs worth over £5m

NEW HOMES and the completion of others, plus a supermarket project, bring work worth over £5m to John Laing Construction.

Work has started on 188 homes in the second phase of Hounslow Council's Oriel housing scheme where, over the next two years, 38 three- and four-bedroom houses 52 maisonettes, 96 flats and two mobility bungalows for disabled tenants will be built under a contract worth about £3.1m.

Two-storey supermarket with mezzanine will be built at Market Street, Maidenhead, under a contract worth about £1.3m awarded by J. Sainsbury. Construction will be of in situ reinforced concrete frame with brickwork cladding, and completion is due by the spring of 1980.

Two housing contracts, together worth £880,000, are being carried out by the Stanmore-based general building region of the company.

Completion of 59 homes (shells of which were built by another contractor) forms a £440,000 contract awarded by the London Borough of Barnet.

Under a £439,000 contract for the Gatwick Area Housing Development Association, the company will build 45 dwellings, comprising 24 two-storey flats and 21 houses, to accommodate up to 100 people, at Goffs Park Road, Crawley. The centrally-heated homes will be built in the Rileyform timber frame system with brick cladding, and work here includes construction of roads and sewers.

Work in North America

CANADIAN OFFICE of George Wimpey has recently won work worth a total of £3.6m, much of it involving fluid pipeline work.

Two of the contracts will be executed in Florida; totalling £1.1m they cover a 2.5 mile 54 inch wastewater pipeline from the town of Homestead to a wastewater treatment plant where the company is already carrying out site preparation work. The locally high water table means that the pipework will be installed by divers underwater. The second job is for drainage and sewage work in the same town.

The company is also to build, at a value of £2.3m, a six storey office complex and a car park at Etobicoke, Ontario, under a contract with Lennodorf Property Management.

Railroad in Saudi Arabia

CONSULTANCY COMMISSION to carry out feasibility studies and design work on a new railroad to serve the Jubail industrial complex in the eastern province of Saudi Arabia has been awarded to Atkins Henderson Consultants by the Royal Commission for Jubail and Yanbu.

Proposed railroad link will run south from Jubail about 100 kilometres to the port of Dammam, which is the present rail head on the line from the capital, Riyadh.

Part of the work—including assistance with the ground survey and design of stations and car parks—will be undertaken by Dar Al Riyadh, a Saudi firm of architects and engineers, working as a sub-consultant to Atkins Henderson.

Bovis programme

REFURBISHMENT at the Hotel Castellana, Madrid, is to be undertaken by Bovis International for Grand Metropolitan Hotels, London.

Value of phase 1 of a four-phase project is about £1m and covers work on 96 bedrooms, some of them built for larger existing family suites. Each will have en-suite bathroom with wc, wash-hand basin and bidet, plus television and bedside mini-bar.

Actual construction work, which covers a seven floor section of the hotel, will be carried out by a Spanish sub-contractor, including the supply and fixing of furniture and services. Main contractor is Modetur, S.A., of Madrid.

Contract at home, worth £130,000, is for the conversion of existing first and second floors of a building at North End Road, Fulham, into a modern restaurant and staff quarters for McDonalds Golden Arches Restaurant.

Sealing approval

HYDROSEAL, a cement slurry for rendering concrete waterproof, has been tested by the National Water Council and approved for use in contact with potable water.

Supplied as a dry powder, when mixed with water it can be applied by brush or spray to new and existing wet or dry concrete structures. It normally requires no surface preparation other than cleaning and prewetting in the case of dry concrete.

Soluble salts in the product penetrate deeply into the concrete, where they are converted into an insoluble crystalline gel and become an integral part of the structure. The treatment provides an effective barrier against pure and salt water, ground moisture and water under pressure.

K10 can expand or contract with the fabric of the building. It also sets off more readily where damp is actually present.

Sovereign Chemical Industries, Park Road, Barrow-in-Furness, Cumbria, LA14 4QU. 0229 25045.

Withstands midday sun

TEMPERATURE VARIATIONS in the Gulf State of Qatar can vary by as much as 40 degrees F between night and day. The temperature at midday is often ferociously high whilst at night it plunges dramatically. Rain fall too—an unexpected and infrequent problem—can often be surprisingly violent.

The climate plays havoc with the flat roofs typical of the area. Seals split, surface cracking occurs and the sun's ultra-violet rays soon take traditional sealing methods to their limit.

K10, a new polyurethane elastomeric membrane, has proved to be a solution to this problem.

It is easy to apply, by brush or squeegee, cures within six hours into a flexible layer and is then impervious to sun or rain. It adheres to any material whether the surface is damp or dry and is a "one component" system that requires no reinforcement.

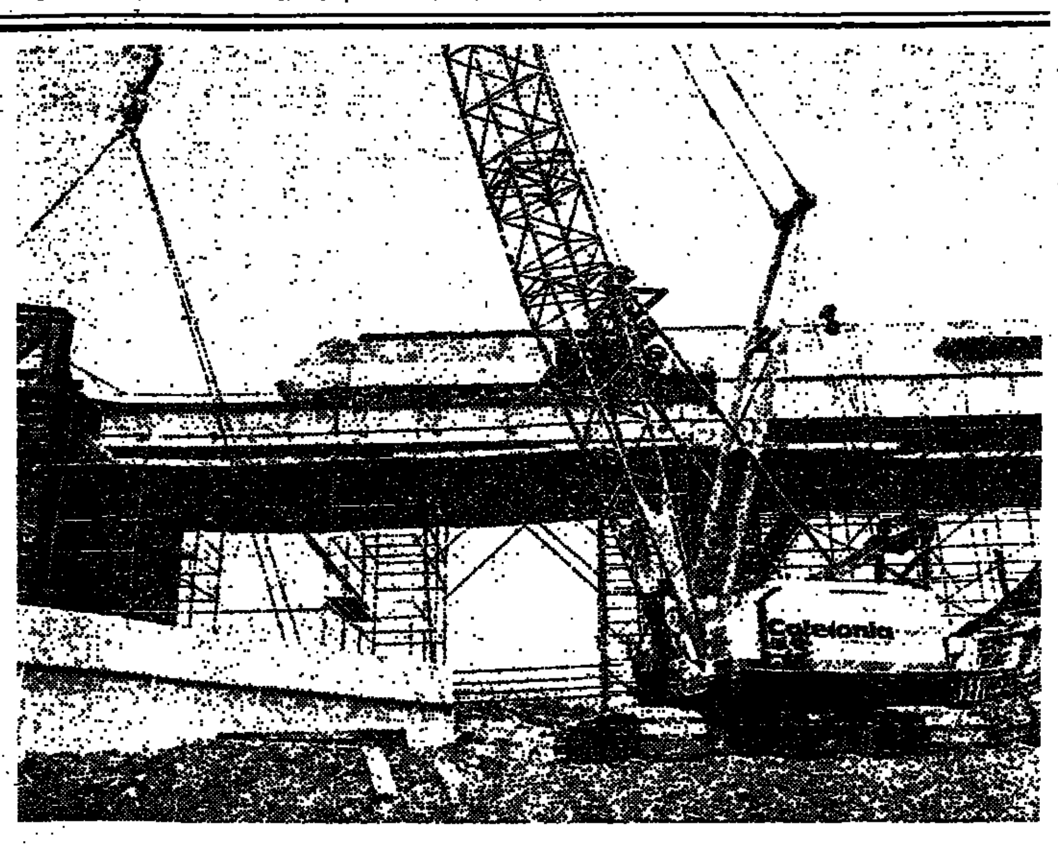
About roofing people

NATIONAL FEDERATION OF Roofing Contractors has now published its 1979 Yearbook which contains full details about the Federation and its national and regional committees.

It lists names and addresses of all NFRC members and indicates, by code letters, the types of roofing operations which they undertake.

Apart from details of roofing publications it contains a comprehensive directory of manufacturers and suppliers dealing with the trade.

Divided into four main sections—slating and tiling, industrial roofing and cladding, flat roofing and sundry materials—with sub-divisions in each case. It costs £3 from the NRFC at 15 Soho Square, London W1V 5FB (01-439 1753).



Expected to be completed within the next three months is the renewal of the twenty-one approach spans of the 405-yard curving Landore viaduct, carrying the main line at a maximum height of eighty feet over the River Tawe on the approach to Swansea. During earlier stage of the work, the spans carrying the west bound track were removed and replaced progressively, starting from the Neath end of the viaduct, while trains in both directions ran over what is normally the east-bound line. Now, the procedure has been reversed while the spans carrying the east-bound track are renewed. Picture shows erection of new steelwork on west bound side of the viaduct.

New linings for old sewers

IN A trial scheme to determine the effectiveness of a polythene insert, three sections of an old and defective sewer have been re-lined successfully in the Misbourne Valley, near Amersham, by the Chiltern District Council acting as agents to the Thames Water Authority.

The insert is drawn through in one complete operation and sealed at each end and at intermediate manholes.

The contractors responsible for the work are Biggs Wall and Co., Arlesey, Beds., which has similarly lined gas mains. Du Pont has supplied Aldyl polyethylene piping, together with technical assistance gained in Canada and the U.S.A. Biggs Wall have also sought the co-operation of Fusion Equipment, of Dronfield, near Sheffield, which manufactures the special plastics welding equipment necessary to make secure and fault-free joints.

Chiltern District Council sees sewer relining by pipe insertion as a possible economical solution, not only to their own problems of defective sewers, but for the many thousands of kilometres of mains throughout the country the condition of which may well be giving cause for concern. The work is in line with the 1977 Annual Report of the Standing Committee on Sewers and Water Mains which states that urgent attention should be given to the assessment of existing methods and the development of new ones for the repair and restoration of sewers and water mains

In the Biggs Wall technique the first task is to excavate down to the invert, providing a slope of about 1-in-5 suitable for leading in the pipe. A line is next passed from the upstream manhole to enable the winch cable to be pulled through for connection. The winch is hydraulically operated and is mounted on an excavator jib so that it is easily manoeuvrable. Once lowered in the manhole it is strutted in position for rigidity.

Meanwhile, all pipe joints have been fused together on the surface, after which the specially fabricated nose cone is similarly fused on the end and the cable attached to the fitting. The capacity of the winch is 5 tonnes and the present model can accommodate 300 metres of cable.

During the insertion, lubricant is used to assist progress. On completion of the pull, the nose cone is cut off, the pipe trimmed back to length, and the lining mechanically sealed at the manhole. At intermediate manholes the pipe is similarly cut out and mechanically sealed to each side.

British projects overseas

VALUE OF British consulting engineers' work in over 130 overseas countries continues to expand even when such value is discounted to allow for world-wide inflation, states the Association of Consulting Engineers.

New edition of the Association's annual publication, "Overseas Work Entrusted to Members during 1978," lists in detail their major projects, which are currently worth £36m.

High proportion of the works are the responsibility of members based in the UK, so that their fees for their services—some £350m per annum—make an important addition to the country's invisible exports.

Publication carries a brief description of each project in hand, with the name of the consultants, contractors, and the cost. There is also a section entirely on investigation and report work—a particularly valuable feature for those who are interested in future projects which have not yet been the subject of tender.

Divided into chapters according to the categories of work, copiously illustrated and comprehensively indexed, the book is available from the Secretary (£10 post free) at Hancock House, 87, Vincent Square, London SW1P 2PH.

Ventilation equipment scheme

THE AIR Conditioning Joint Liaison Committee has sponsored an Approval Authority to check the safety and performance of air-conditioning equipment.

Its full title is to be the Air Conditioning Industry Approvals Authority (ACIAA) and it will deal with both approval and certification to the appropriate British standards.

The scheme is compatible with the aim of the NEDO sector working party to set up a national approvals authority to encourage the use of approved equipment and to establish its approval with an authoritative body. It is also in line with current legislation on environmental safety and consumer protection.

The Electricity Council's appliance testing laboratories will be the test house for both safety and performance and will test air conditioners, dehumidifiers and heat pumps. Units up to 7 kW capacity will be dealt with initially.

Approvals will be published by the ACIAA by way of an approved list available from the Electricity Council's Air Conditioning Advisory Bureau, which is also acting as the secretariat for ACIAA at 30, Millbank, London SW1P 4RD (01-834 8827).

Easier for the plumber

UNTIL MODERN times, the ancient Romans were considered the world's finest civil engineers. They did not, however, possess or know about polybutylene (an engineering plastic formulated specifically for resistance to high temperature and pressures), the material used for the body of a plumbing and heating fitting conceived in England and unveiled this month to 20th century users in the ambience of the eternal city.

Yorkshire company, Bartol Plastics, Edlington, Doncaster (0709 863551) feels its message is important to plumbers and heating installers throughout the civilised world—its Acorn hot and cold water fitting makes jointing simpler, speedier and more serviceable.

Designed to replace copper capillary soldered fittings and mechanical compression fittings to be used in conjunction with copper pipe BS 2871, joints in the domestic water system are made simply by pushing the pipe (against an acceptable resistance) into a socket. Thus, possibility of damage to adjacent fixings by blow torch or solder drops is completely obviated.

Polybutylene body incorporates a stainless steel grab ring, a washer and rubber sealing ring. All are retained within the fitting by a screwed on end cap. The fittings are supplied ready for use—removal or tightening of the caps is not required—which, for the user, presents an instant push-fit system.

Company says that its non-corrosive, non-toxic Acorn systems can be added to and altered with ease, and the fittings rotate round the pipe even when pressurised.

Advantage of polybutylene, says the maker, is that it promises to be far more stable in price than traditional alternatives. This will give a benefit to the plussage system of copper and brass fitting pricing and is unlikely to be subject to the fluctuations in supply that a commodity such as copper experiences.

Concrete meeting

AN international seminar on quality assurance is to be organised by the Cement and Concrete Association, in conjunction with the Concrete Society, September 17 to 19, 1979 at the C and CA's Fulmer Grange conference and training centre.

The aim of the seminar is to provide information about the application of quality assurance in concrete production, construction and testing, particularly in view of the new quality assurance scheme operated by the British Standards Institution which assesses the ability of firms to produce certain products and lays down certain quality control requirements.

Building concrete ideas

PROGRAMME FOR "Concrete International 1980" (Royal Lancaster Hotel, London, April 13-18) includes comprehensive coverage of four major themes: lightweight concrete, admixtures, sprayed concrete and fibrous concretes.

Also featured are papers from international experts, an exhibition, and technical visits.

Details and application forms from Gerald Young, C I '80, Concrete Society, Terminal House, Grosvenor Gardens, SW1Y 0AJ (01-730 8252).

Link road project

CONSTRUCTION of a 3 km road linking Calder and Seascale in Cumbria, together with the associated earthworks, culverts and an underpass, is to be undertaken by Balfour Beatty Group under an £850,000 contract awarded by British Nuclear Fuels.

Under the supervision of the senior civil engineer of the United Kingdom Atomic Energy Authority, work on the contract started on January 8 and is due for completion within 11 months.

McAlpine work at home

TWO JOBS for Sir Robert McAlpine and Sons total £1.8m. Largest contract is worth £1.3m for the construction of a new retail store on the site of the old Renfrew Airport, near Glasgow, for Tesco Stores.

Complex measures 78 metres by 50 metres on plan and will include a petrol filling station and car parking on the 23,500 square metres site. Store is to be air conditioned throughout and heated by gas-fired ducted hot air system.

National Army Museum has awarded the company a contract worth more than £½m to build the second phase of the new museum in Royal Hospital Road, Chelsea.

Cost of the building has been met entirely from private donations, enough having been raised by the museum Building Appeal Fund to complete the "bricks and mortar" part of the project.

Architect for this project is Carl Fisher & Partners, quantity surveyor is Gardiner & Theobald, and consulting engineer, H. Bressloff & Associates.

IN BRIEF

- Engineering Laboratory Equipment of Hemel Hempstead, Herts., has been awarded a £½m contract by the new King Abdul Aziz University, Jeddah, Saudi Arabia, to design, equip and commission laboratories at the university's civil engineering department.
- Two shopping units at Wimborne Road, Bournemouth, are to be built by James Drewitt and Son under a £145,000 contract awarded by Clanworthy Holdings.
- Shell Expro has awarded a contract to Argos Surveys of Bristol for the complete component construction and installation monitoring of the Fulmar A and AD platform, currently under construction at Nigg Bay and Methil, respectively. Work involves on site and offshore dimensional control of the individual jackets, sub structures, deck assemblies and modules.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TRANSPORT

Checking the weight of road vehicles

IN VIEW of the increasing need for authorities and vehicle owners alike to be able to make rapid checks on loading, Rank Industrial Controls, Watton Road, Ware, Herts (Ware 3939) has introduced the Rank Weighpad, an easily used portable weigher.

It consist of individual lightweight ruggedised pads which can be easily arranged so that the road vehicle can be simply positioned on them and the wheel loadings instantly seen on a ground-level display.

Applications will include use by road haulage fleet operators to prevent axle overloading, the calibration of vehicle-mounted axle load indicators, and by the police as a convenient means of checking quickly and accurately on suspected overloads.

The equipment can be carried in the back of car or mini-van, and can be brought into action very quickly on a lay-by or almost any type of level hard ground.

Normal maximum loading capacity is 15 tonnes per pad with an over-load capacity of 15 tonnes on any one corner of the pad. Weight of each pad and ramps is 38 kg (84 lbs).

The quickly connected electronic readout head has a strong aluminium case which houses a single electronic board, a liquid crystal digital display and foot-operated pushbuttons. The single electronic board provides all the facilities required in the operation of the Weighpad system, i.e. excitation of load cells; processing of the load signal; totalising weights; driving display and output of data to a printer—some 60 integrated circuits are used.

The readout can be connected to either a single pair of pads using one of the sockets at the rear, or two pairs of pads by using the second socket. By pressing the "left" or "right" pushbutton the load on the corresponding pair of pads is indicated. While this load is still being applied the weight can be totalled by pressing the "add" button.

The head unit is powered by a 24V dc supply which can be provided by the mains pack supplied with the system or by means of two 12V dc batteries connected in series, or the optional 12V converter.

● PROCESSING

Board jobs made easy

WHEN A manufacturer's requirements are confined to prototype board development or short production runs, he is justified in thinking about installing in-house board production equipment—when it meets price and needs.

Lektrokit, with the Cupro system, says it meets both these criteria.

Cost-effective pcb production implies the use of in-house board coating, exposing, etching, etc. Cupro includes all the necessary equipment and accessories for these processes, and is being made available by Lektrokit as individual modules. Users need only buy the equipment as required and so are assured of the immediate availability (ex-stock) of any complementary equipment they may want later.

Latest Cupro equipment to be introduced is the Type BTC-101 resist coating machine. This uses the so-called "steady withdrawal" technique to deposit an even flow of coating on one or both sides of a board so that high definition and low raw-material wastage is achieved.

Board sizes up to 12 x 12 inches (12 x 24 inches to special order) can be coated using the BTC-10L, all suitable chemicals being supplied direct from Lekrokit's Reading headquarters.

Lektrokit, Sutton Industrial Park, London Road, Earley, Reading RG6 1AZ, Berks. Reading (0734) 669116/7.

Bound for Russia

HEAT TREATMENT equipment designed by Radyne is to be built into a fully automatic production line for the manufacture of tappet screws (at the rate of 4,000 per hour) for shipment to V/O Avtopromimport, Gorki, USSR, by Wickman Machine Tools, for use in the vehicle industry.

Two identical heat treatment units complete with RF generators and cooling systems will be based on the HTU series of handling equipments from Radyne, Molly Millars Lane, Wokingham, Berks. RG11 2PX (0734-783333).

In operation, the formed machine screws will be hopper fed to the vertical indexing table for successive stages of heating while submerged in the quench medium, hardening, air-blasting, re-heating and cooling for tempering and, finally, automatic transfer to a conveyor system for crack and hardness tests to be carried out.

Separate 400 kHz generators with power outputs of 30 and 15 kW will be used for the hardening and tempering processes respectively, and this will enable the high throughput of some 2,000 components per hour from each unit to be achieved without difficulty, says the company.

● CALCULATORS

Measures and signals time

SCIENTIFIC CALCULATORS are being given new powers.

FX-8000, a new Casio, can measure time lapse between events during a test or experiment; or it can signal predetermined time intervals for observations to be made. When all the data is assembled, FX-8000 also provides the calculating power to evaluate results.

As a stopwatch, it has a capacity of 9 hours, 59 minutes and 59.99 seconds, a measuring unit of one-hundredth of a second, and an accuracy within 0.005 per cent. It gives a choice of three operating modes: normal start-stop; net timing (ignoring lost time during stoppages); or "lap" timing (freezing the display but continuing the count).

Two alarm timing modes are possible — once-through or recycling. In either mode, up to five separate time periods may be fed in, and as each elapses a ten-second alarm buzzer sounds and the next interval starts. In Timer 1 mode, action ceases on termination of the last preset interval; in Timer 2 mode, it automatically recycles to the beginning of the sequence and continues until countermanded.

Figures in the display show time remaining till next due alarm—that is, a countdown.

Calculating capacity is eight digits (or six digit mantissa plus two-digit exponent), and there are 43 key-operated scientific functions at the user's disposal. These include the usual log., trig, hyperbolic and statistical functions, plus two levels of parentheses, polar-rectangular co-ordinate conversion and, sexagesimal-decimal conversion to facilitate arithmetic involving hours, minutes and seconds.

FX-8000 handles computations involving fractions of up to three digits for each integer, numerator or denominator and at the same time maximum six digits for the sum of each part, giving answers in fractional form too.

Liquid crystal display makes for easy figure reading and conserves batteries. In continuous use, a pair of G-13 silver oxide cells last at least 1,300 hours.

Maximum price would be just under £36.

Casio Electronics, 28, Scrutton Street, London EC2A 4TL. 01-377 9087.

● ELECTRONICS

Flexible circuits approval

WELWYN ELECTRIC, Northumberland-based electronic components manufacturer, is the first company to obtain BS.9765 capability approval for its flexible double-sided printed circuits.

Prior to the issue of BS.9675, there was only Defence Standard 59-48, Part 3 against which flexible printed circuits could be released; the new specification is the first BSI document to embrace flexible circuits and is a more versatile specification, covering a broader spectrum of customer applications.

The Defence Standard will be superseded by the BS.9760 series of specifications and, in fact, is scheduled to be withdrawn by about the middle of this year.

Welwyn attributes its success particularly to the attention it has given to high technology laminating processes. Much emphasis is laid on obtaining high-strength adhesion between conducting and insulating layers of the finished product, which must withstand mass soldering temperatures of 260 degrees C for up to 10 seconds, without delamination.

Welwyn Electric is on 0670 822181 at Bedlington, Northumberland, NE22 7AA.

Remembers if power is removed

INTRODUCED by General Instrument Microelectronics, 1 Warwick Street London W1R 5WB (01-998 6481), is a fully decoded 256 x 4 bit non-volatile random access memory which is actually a combination of normal RAM and electrically alterable read-only cells (EAROM).

Normal operation is as a RAM with 1.5 microsecond cycle time. When powering down, a single negative pulse applied to the erase/write control line shifts the entire contents of the 1024-bit memory into associated EAROM cells.

Stored data is retained for 72 hours minimum after a one-millisecond write pulse, or 30 days minimum after a ten-millisecond pulse. Data can be recalled into the RAM by means of a power-up sequence followed by bulk erase of the electrically alterable cells.

Known as the ER1711, the device is directly compatible with a four-bit microprocessor. Typical applications will be in process control where stored process state variables must be protected during power interruptions, in machine and motor control to hold set points, and in navigation systems to retain time/position data.

● RESEARCH

Banking study

BATTELLE points out that participation is still open in a study sponsored by a group of banks in Europe and the U.S. into the effect of new payment technologies on the relationship between companies and banks.

A good deal of work has already been completed, SWIFT and proprietary terminal-based cash management and money transfer services being given special attention.

Brazil, France, Germany, Japan, the UK and the U.S. were studied in depth. The payment systems infrastructure, present developments in corporate banking services and the nature of corporate business demands were all included in the research.

The lessons from these new developments and the business opportunities resulting from them have now been reported and further information can be obtained from Battelle Institut eV, Am Romerhof 35, D-6000 Frankfurt am Main, 90.

● INSTRUMENTS

Pen goes at high speed

LATEST DESIGN of flat-bed pen recorder from Bryans Southern Instruments, Willow Lane, Mitcham, Surrey CR4 4UL (01-640 3490) has a slewing speed of at least 2500 mm/sec. with zero to full scale pen excursion in 160 milliseconds (A3 chart size, Y-axis), at the same time maintaining maximum axial overshoot of 1 mm.

Known as the Series 50000, these X-Y recorders have a mainframe that will accept multirange amplifiers with sensitivities from 50 microvolts/cm and single range types from 1 mV/cm. One of these modules incorporates up to ±10,000 mm of zero suppression on any range and lockable multi-turn potentiometers are used for the main controls.

Amplifier inputs are protected to at least 250 volts on even the most sensitive ranges and the servo system is fully protected by an automatic electronic safety circuit.

Switched boundary limits allow the reliable use of A4 charts on an A3 frame and the paper hold-down system can be magnetic strip, vacuum or electrostatic, to choice.

Senses the tank level

ACCURATE AND reliable level data from tanks, silos, sumps or hoppers can be obtained for solids, slurries or liquids using an ultrasonic level detector from Hymatic Industrial Controls, Orchard Street, Redditch, Worcs. B98 7DP (0527 67841).

Covering a level range of 25 feet (7.62 metres) for liquids and 20 feet (6.1 metres) under dusty conditions, the Mini-ranger produces an output directly proportional to the level.

Two easily adjustable alarm points are incorporated while optional pre-wired modules provide for up to six alarm points within the span. Simple internal span adjustments can be made to give full analogue output for any three feet of level change. Transducer/electronics separation can be up to 600 feet.

Operational temperature range of the electronics unit is −20 to +55 deg C while the transducer remains effective from −40 to +93 deg C. Transducer facings are available for use with most materials likely to be measured.

Dew point meter

INTRODUCED BY Protimeter, Fieldhouse Lane, Marlow, Bucks SL7 1LX (06284 72722) is a dew point meter able to give dew point temperature over the range 0 to 40 deg. C, relative humidity between 30 and 100 per cent, and the ambient temperature.

The instrument is designed for those concerned with the storage of product in bulk form, particularly foodstuffs prone to deterioration in the wrong atmosphere.

It employs what the company regards as the most reliable method of measurement, namely optoelectronic detection of dew formation on an electrically cooled solid gold mirror. Since this is an absolute physical measurement, it confers the advantages of unchanging calibration, interchangeability of sensors and tolerance of extreme humidities.

Push button operation gives any of the three measurements, and optional modules can be provided to operate a wide range of control and alarm units. The sensor is housed in a robust alloy cylinder (40 mm diameter by 50 mm) which can be located several metres from the electronics.

Explosives not needed

MADE BY Nimbus Instruments in the U.S. and available from Fenning Environmental Products, 112, Leagrave Road, Luton, Beds. LU4 8HX (0582 26538), the ES-125 is an exploration seismograph employing signal enhancement to allow shallow exploration without the use of explosives.

Normally when using only a sledgehammer to excite a wave, the response can easily be lost in the natural background vibration. The ES-125 makes use of a digital memory to store successive returns from repeated blows. This results in a cancellation of the signals due to random background vibration while the desired signal grows progressively larger. Selection of arrival times is simplified and the operator can survey greater distances with smaller energy sources.

After initial set-up on the site, the user selects time range and gain and strikes the ground as many times as are required to bring up a useable signal. He then turns the cursor knob until the marker lies over the first arrival. The wave form continues to be displayed for leisurely examination and the arrival time is displayed on the CRT in numerals.

● COMPONENTS

Wipes as well as cleans

A NEW company called Safewype International has been formed with the backing of Kleinwort Benson to manufacture and market a wiper blade which, although it is applicable only to flat windscreens, can produce a useful cleaning action as well as merely wiping the screen.

The device has twin articulated rubber blades on each side of a one piece continuous bristle brush and a water feed pipe injects washing fluid directly on to the screen from within the wiper assembly. It is claimed that the dual action of the wiper blades and brush is able to clear and clean the screen far more efficiently than conventional wiper blades, chopping up and removing insect debris, remove road grease and salt, and even cut through flash-over ice.

Double blade construction creates a reservoir of fluid only where needed, so that the storage cannister would need fewer refills.

Other advantages claimed by Safewype (P.O. Box 83, Derby DE2 7RN. Derby 371595) are less drag and energy consumption, long life and less tendency to lift off the screen at high speed.

Simplified intensifier

INTENDED to help simplify the design of the associated optical equipment is a rugged, single-stage, inverting image-intensifier by Thomson-CSF.

It has a fibre-optic faceplate and an internal electron-multiplying microchannel plate. Developers assert that its luminance gain compares favourably with that of much larger three-stage cascade types.

Power unit is integral and fed by a 2.65V/30 milliamp supply. The unit is only 68mm diameter.

Thomson-CSF, Ringway House, Bell Road, Basingstoke RG24 0QG. 0256 29155.

Max Wilkinson examines the new role of a key British subsidiary of Philips

How Mullard is facing up to the changing world of electronics

UNTIL RECENTLY Mullard, the leading electronics components company in Britain, took great pains to play down its association with its distinguished multinational parent.

Indeed, many people, including even some of its customers, scarcely knew that Mullard was a wholly owned subsidiary of Dutch Philips.

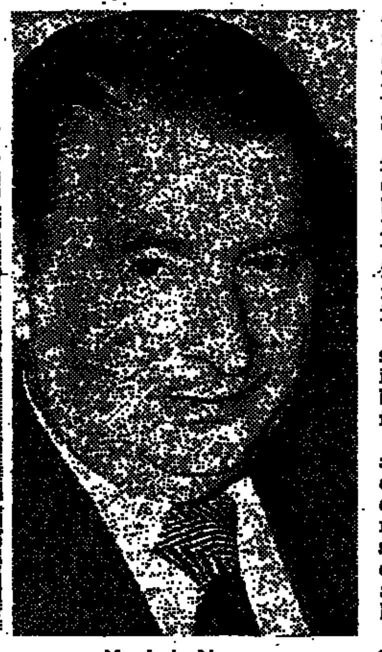
The reason was that, over the years, Mullard has developed intimate technical relationships with many of Philips's competitors in the television and radio world. Mullard supplies not merely the components to these companies but detailed know-how on connecting them together.

This relationship had developed ever since the war when radio receivers, like prehistoric monsters, were very large and rather simple. Those were the balmy days of the old thermionic valves which glowed like dim red lamps in the back of every set. Like lamps, they eventually burned out, thus providing a lucrative replacement market for companies like Mullard.

Before valves were replaced by transistors, a large range of sophistications had been added to them to improve performance. But to sell the new products, Mullard had to educate a large number of smaller manufacturers about how they worked.

This education process took the form of issuing circuit diagrams and sometimes complete sub-assemblies. This process accelerated with the introduction of transistors and then with the more complicated technology of television. Mullard came to be an essential source of research and development for a large section of the British consumer electronics industry.


Mr. Ivor Cohen, Mullard's new managing director


Mr. Jack Akerman

Since all these companies were competing with Philips in the high street, Mullard had to take great care to show that it would act towards its customers just as if it were an independent company. Philips supported this quasi-independent line because it wanted Mullard to have the advantage of high volumes of sales to outside customers.

The Britishness of Mullard was strongly emphasised by its former managing director, Mr. Jack Akerman, who retired from the job at the beginning of this year after five years at the head of the company. His successor, Mr. Ivor Cohen, has taken over at a time when Mullard is having to adjust rapidly to some very new pressures in the international markets.

It is also having to adjust to Philips' current strategy of streamlining relations between, at the centre, its product divisions, and its subsidiaries in various countries. The most obvious evidence of this in the UK so far has been at Pye, which as a partly owned subsidiary has had a particularly loose relationship with the centre until now.

When Mr. Akerman joined Mullard 43 years ago, the turnover was £1m a year, mainly in radio valves, and strongly oriented towards the UK radio companies which it served.

During Mr. Akerman's period as managing director, Mullard began to change its character rapidly. Of its present turnover of £200m, only about half is in sales to consumer electronics companies. The remainder is for industrial electronics.

The company's position as the only remaining UK manufacturer of television picture tubes—since Thorn pulled out—will inevitably give it a key role in future strategy for the UK consumer electronics industry. But the fact remains that the picture tube market is now becoming very much more international in character; and under pressure from the Japanese, the trend is certain to continue.

Specialise

These worldwide commercial pressures are an additional reason why a closer integration of Mullard into the Philips empire is likely with a corresponding emphasis on its international role.

In the manufacture of television tubes, for example, larger and larger production volumes are needed to reap the benefits of economies of scale. A few years ago plants could be economic if they were producing about 600,000 tubes a year. Now the figure is nearer to 1m.

Inevitably therefore Philips will tend to want its different factories to specialise so that each can achieve a large production volume for each size of tube.

Economies of scale are also of paramount importance in the manufacture of integrated circuits, a relatively new area for Mullard mainly developed since the acquisition by Philips of Signetics in the U.S.

Mullard's integrated circuit factory in Southampton is now only one of six centres owned by Philips in Holland, Germany, France and the U.S. All the trends in the semiconductor industry point to the development of production and marketing on an international scale.

At the same time, the consumer electronics industry is itself changing rapidly, largely because of the drive injected from Japan.

The smaller UK companies are discovering that in the age of integrated circuits when a complete electronics for a radio receiver may be etched on a simple flake of silicon, the pace of product development has accelerated and the costs of keeping up are very high.

It is no longer enough for companies to rely on research and circuits provided by Mullard. To compete with the Japanese they have to anticipate new technological developments and to start designing products almost before the parts to make them are available.

The failure to make this research effort allowed the Japanese to dominate the market for better quality music centres (stereo radios with record and tape decks combined) and to make heavy inroads into the hi-fi market.

As a result television manufacturing companies are beginning to run for cover. Rank and GEC have both signed joint venture agreements with Japanese companies (Toshiba and Hitachi respectively).

Even Thorn, the largest UK producer, must be wondering anxiously whether it needs a technical link with a larger company.

The scope for Mullard to be a technological centre for the UK radio and television industry has therefore begun to diminish and is likely to continue to decline, even though the company remains a major supplier of components.

For Mr. Cohen, therefore, one of the tasks of the next few years will be to steer Mullard on a difficult course which will enable it to retain the advantages of an independent voice within the British consumer electronics industry while recognising the commercial realities of being part of a large multinational organisation.

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

Do stressed executives take it out on others?

". . . and yesternight at supper you suddenly arose and walked about, musing and sighing, with your arms across . . . you scratched your head, and too impatiently stamped your foot. Yet I insisted, yet you answered not, but an angry wafture of your hand gave sign for me to leave you. So I did, fearing to strengthen that impatience which seemed too much enkindled, and withal hoping that it was but an effect of humour, which sometimes hath his hour with every man. It will not let you eat, nor talk, nor sleep. . . ."

J. Caesar 2:1.
William Shakespeare

These words, put into the mouth of Portia by Shakespeare some 400 years ago, are observations and accounts of a stress-reaction as pertinent today as they have been in any age of man's known history. Many a modern executive's wife must have spoken thus (although perhaps not so poetically) when in the uncomfortable company of a stranger—her husband—who is displaying common stress-reactions such as undue irritability, insomnia, silence and angry, defensive hostility.

Obviously, the causes are very different. Brutus, with semi-political fears and aspirations, self-convinced beliefs in his own honour, ability and integrity; egged on by one far more intelligent and much less scrupulous; and with a world-shattering assassination attempt in mind, had good reason to be thus afflicted.

Revolutions abroad

However different they may be, both in context and time, those stress-reactions described are as recognizable in modern European or American executives when subjected to a concatenation of exasperating and worrying assaults.

The unfortunate man may be suffering from the discomfort and inconvenience of chronically unpleasant climatic conditions on some bleak station, and wondering if his train will run at all, and if so, just how late he will be for some important meeting; he will certainly be assailed by word or print with endless stories of strikes at home and revolutions abroad. So he can hardly fail to display his inescapable frustrations by displays of agitation of an uncharacteristic nature.

With the added problem of attempting, the while, to formulate important decisions, it is hardly surprising that both his family and staff are subjected to his choleric humours—though they themselves (and the non-executive work-force) also have their problems.

Examination of sickness-absence reports in any large enterprise will show that, during times of exogenous stress, the senior executives are not often absent as the result of minor physical ailments—who could imagine Brutus putting off his bloody appointment because of a sore-throat? The least among his followers, however, might well have succumbed.

Just so their modern counterparts: but it should be remembered that, in most instances, resulting absences are not due to laziness, fear or hypochondria. Perhaps it is that they, believing themselves to be inessential, are truly more susceptible to evil microbes and their allies: after all, logic tells one that the throat of a magnate is scarcely less attractive a target than that of his typist.

Now, although one cannot do much about the weather, politics or erratic transport or endless strikes, the executive should have the fortitude to lessen, at least, the burden on others of his own stress-reactions. Above all, he should never forget that the humblest member of his staff matters very much, not only as a human, but as part of an integrated team. Any enterprise which employs the superfluous does not deserve to survive, let alone to flourish.

One way is to combine leadership with decisiveness. In almost every situation of moment, three courses are open; two positive and one negative. A decision made, even if later events prove it to have been wrong, is at least a decision. It is so much more valuable than vacillation and indecision which must be doomed and create anxiety, among those led, which multiplies like maggots in a dead dog and produces rapid putrefaction.

Gnawingly anxious

Preaching to others is easy, but I must make it plain that the necessity for strong leadership is just as important in doctors. The patient, in his understandable ignorance, and gnawingly anxious about health, is unlikely to display marked improvement if his doctor is uninterested or is incapable of providing firm guidance and advice. It is a strange patient who fails to admire the physician who knows his limitations but also knows specialists to whom reference can be made.

The physician should be able to help with the secret dreads of patients if they can bring themselves to seek his advice or, more frequently, are pushed by their anxious families; for, to return to Portia, she was sensible to say: "Brutus is wise and were he not in good health, he would have embraced the means to come by it."

Business courses

Interviewing Skills and Techniques for Executives, London. April 2. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

Value Added—a fundamental concept in better management, Bradford, West Yorkshire. April 2-3. Fee: £90. Details from The Management Centre, University of Bradford, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

Recent Developments in Economies, Brunel University, Uxbridge, Middx. April 4-6. Fee: £175. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middx. UB8 3PH.

The Trade Union View of Industrial Relations, Henley-on-Thames, Oxfordshire. April 1-6. Fee: £325 (approximately). Details from Henley Administrative Staff College, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU.

Marketing through Consumer Distributors, Brussels. April 4-6. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

Important Developments in the Protection of Industrial Designs, London. April 2. Details from European Study Conferences, Kirby House, 31, High Street East, Uppingham, Rutland LE15 9PY.

Updating the Purchasing Manager, London. April 3-4. Fee: £100. Details from Purchasing Economics, Pel House, 35, Station Square, Petts Wood, Kent BR5 1LZ.

Project Management—Skills and Techniques, Oxford. March 25-30. Details from Eurotech Management Development Service, P.O. Box 28, Camberley, Surrey GU16 5HR.

International Financial Management Seminar, Geneva, Switzerland. April 2-12. Details from Centre d'Etudes Industrielles, 4 chemin de Conches, CH-1231 Geneva, Switzerland.

LOMBARD

How to discredit cash limits

BY SAMUEL BRITTAN

IF THE Treasury had deliberately tried to discredit its own cash limits for the public sector it could not have done better than in Mr. Joel Barnett's announcement on Friday. The fact that his statement is in some sense "tough" in no way mitigates the criticism. One sometimes has the impression that Ministers and their advisers are more concerned to punish the economy for the breakdown of pay policy than to run it successfully.

In an article on January 27 ("The Budget, the Election and Cash Limits") Peter Riddell and I mentioned the basic choice which would have to be made between the credibility of cash limits and the theology of pay policy. The true friends of cash limits argued for realistic limits based on the going rate of pay settlements or likely rate of earnings increase in the private sector — around 10 per cent. There would be some chance of observing such limits. On the other hand, those who were basically incomes policy types preferred to go ahead on the basis of the old discredited "5 per cent" pay policy with known exceptions to date, with the certainty that these would be exceeded, as the old Parliamentary Estimates always were.

Pay policy

As we feared, the deep-seated attachment to pay policy somewhere very near the top of the Treasury, allied to the narrowest considerations of administrative convenience, has won the day. It is particularly unfortunate that this should have happened in the very first year that the official Estimates presented to Parliament are due to be assimilated to the cash limits. If the latter had been realistic the Estimates would have recovered their old importance and it would no longer have been possible for Supplementaries to go through on the nod. Now the battle has been half lost before the fighting has even begun.

Sir Leo Pliatzky, who was formerly in charge of public spending in the Treasury, once hinted to the Expenditure Committee that cash limits could be used as a substitute for pay policy. But mainstream Treasury thinking has always seen cash limits in a different way, as essentially a detailed device to monitor performance on the basis of known wages determined by incomes policy.

Mr. Barnett's statement on Friday first dealt with the non-pay elements of public spending, about half the total. These will be tied to a price forecast of 8½ per cent, now clearly over-optimistic. This is a backdoor method of cutting public spending which may be better than nothing at all—although there is something quixotic in the opponents of public spending having a vested interest in rising inflation. The cash grant to local authorities will be related to the present offer to manual workers (worth at least 11 per cent) but the Chief Secretary leaves open the possibility that he will finance up to three-fifths of a higher offer.

Manpower

But it is in the cash basis of the central Government's manpower expenditure that the loss of credibility is most clear. For, believe it or not, this is still tied to the 5 per cent pay guidelines (believed to be worth 7 per cent on earnings). Recognising that actual settlements will probably be higher, Mr. Barnett threatens that "a substantial proportion of any excess cost will have to be absorbed within the existing limits." In other words the cash limit is unknown and undecided; there is a vague threat of manpower economies but a road open for strategic retreat should the Government so decide. In discrediting the wider notion of cash limits, the Treasury has also discredited even its own narrow administrative ideas. For an uncertain sum of cash is a pretty poor method even of administrative control.

Fortunately the Financial Statement issued at Budget time is based on a realistic estimate of expenditure and revenue rather than on administrative convenience or pay policy propaganda. Thus on present knowledge there is no reason to distrust the forecast for public sector borrowing to be presented on April 3. But cash limits, as an approach to public spending and pay, are evaporating before they have even been properly placed in position.

Time to abolish criminal blasphemy

THE WEEK IN THE COURTS

BY JUSTINIAN

PROFESSOR James Kirkup is a travel writer, poet, novelist, playwright, translator and broadcaster of some distinction. In the world of the law his claim to fame rests on his poem "The Love That Dares To Speak Its Name."

This poem was published in Gay News No. 96. Its publication resulted in the prosecution of the publisher and editor of that newspaper at the Central Criminal Court.

The indictment alleged that the poem and an accompanying illustration "vilified Christ in his life and in his crucifixion." It was the first prosecution in this country for blasphemous libel for 50 years.

In his summing-up, the trial judge directed the jury that "the intention of the poem is not relevant, nor is the intention of the publisher, nor the intention of the editor.

"The test is objective. Does it offend? Does it outrage the feelings of any member of the Christian religion or sympathiser of the Christian religion?" He also urged the jurors that when considering the poem "you must try to recapture in your minds the impact it made upon you when you first read it." He asked them "what would your reactions have been had you first read it or had it read aloud to you in your home, or in a friend's home, or in a public house?"

On Monday, July 11, 1977, by a majority of ten to two, the jury found the publisher, Gay News Ltd., and the editor, Denis Lemon, guilty of blasphemous libel.

On Wednesday, April 19, 1978, the Court of Appeal dismissed appeals against these convictions.

The appeals involved a point of law of public importance. Last week, by a majority of three law lords to two, the House of Lords dismissed further appeals, in *Whitehouse v. Gay News Ltd.* and *Whitehouse v. Lemon*.

"To treat as irrelevant the state of mind of a person charged with blasphemy," said Lord Edmund-Davies, "would be to take a backward step in the evolution of a humane code."

However, the majority decided to take this step; and one of the majority, Lord Scarman, expressed himself in favour of taking a further step. He said: "I do not subscribe to the view that the common law offence of blasphemous libel serves no useful purpose in the modern law.

"On the contrary, I think that there is a case for extending it to protect the religious beliefs and feelings of non-Christians. The offence belongs to a group of criminal offences designed to safeguard the internal tranquility of the kingdom."

How many readers of this newspaper if asked to name the offences designed to safeguard the internal tranquility of the kingdom would place blasphemy among the top 20?

But in Lord Scarman's opinion, "in an increasingly plural society such as that of modern Britain it is necessary not only to respect the differing religious beliefs, feelings and practices of all, but also to protect them from scurrility, vilification, ridicule and contempt."

Did he have in mind G. K. Chesterton's aphorism that "it is the test of a good religion whether you can make a joke about it?"

The lack of any prosecution for fifty years would seem to indicate that the law of blasphemy had practically ceased to be put into active operation. This in turn raised the inference that for fifty years there seemed to be no need to operate this branch of the law.

If there was no need to operate this branch of the law, no grievous harm seems to have occurred during those 50 years to the internal tranquility of the kingdom as a result of the lack of prosecutions.

Lord Scarman took a different view of the lesson of history. He said that "I will not lend my voice to a view of the law relating to blasphemous libel which would render it a dead letter, or diminish its efficacy to protect religious feeling from outrage and insult."

"My criticism of the common law of blasphemy is not that it exists, but that it is not sufficiently comprehensive. It is shackled by the chains of history."

Is this a commendation of Henry Hetherington for having in 1841 brought a successful prosecution for blasphemous libel against Edward Moxon for publishing Shelley's Queen Mab?

According to Lord Scarman, the common law "may be said to be moving towards a position in which people, who know what they are doing, will be criminally liable if the words they choose to publish are such as to cause grave offence to the religious feelings of their fellow-citizens or are such as to tend to deprave and corrupt persons who are likely to read them."

This movement in the law led Lord Scarman to conclude that "it would be intolerable if by allowing an author or publisher to plead the excellence of his motives and the right of free speech he could evade the penalties of the law even though his words were blasphemous in the sense of constituting an outrage upon the religious feelings of his fellow-citizens."

Many readers will disagree profoundly with Lord Scarman's philosophy.

The time is surely ripe not for the extension but for the abolition of the crime of blasphemy.

If blasphemy consists of an affront to religious feelings, a younger generation may approve what an older generation has rejected.

Moreover, is not piety in itself sufficient protection against impiety? And is not a level head the best remedy against a premature or excessive sense of outrage?

There is a grave risk that a prospect of a prosecution for blasphemy is likely to impose an undue restriction on legitimate freedom of inquiry, discussion and expression, with resultant damage to intellectual and creative process. As Anna Janska said: "All great truths begin as blasphemies."

There is also a grave risk that prosecutions for blasphemy may do more to promote bigotry than to prevent or punish offensiveness.

Does the blasphemer cause greater or less damage to society than the bigot? If (as seems probable) less, why cannot the crime of blasphemy be abolished, and, if it is necessary to fill any gap, the offence of bigotry be substituted?

An excessive zeal for bringing prosecutions for blasphemy may give this crime an aura of glamour which it lacks at present. As long as blasphemy is regarded as wicked, it will always have its fascination. When it is looked upon as vulgar, it will cease to be popular.

The sooner it is abolished, the better. In the meantime, let us meditate on some words of Lewis Carroll. "It's very provoking," Humpty Dumpty said after a long silence, "to be called an egg — very!"

Sheer Silk can make amends

RACING

BY DOMINIC WIGAN

OPINIONS were divided as to whether Sheer Silk would have won the Schweppes Gold Trophy had he not fallen when holding a narrow lead at the penultimate flight. Certainly he would have been concerned in the finish, and connections will be hoping for compensation in the Princess Royal Handicap at Doncaster (2.00).

If Sheer Silk holds sound credentials, then so, too, does Ruby Wine, who finished a head in front of Balding's gelding when they were second and third behind Love from Verona in the valuable Lanzarote Hurdle at Kempton last month and who is only 2 lbs worse off at the weights, here. Sheer Silk, however, is narrowly preferred.

Michelstown, a useful performer on the flat in Ireland showed an ability to jump the minor obstacles before going over hurdles at Sandown on February 2 when he was backed down from 9-2 to 5-2 favourite. In the event, he finished only sixth but he showed well for a long way and may have the edge over The White Tower, another Irish import, in Division 2 of the Askern Main Novices Hurdle (1.00).

Dikaro Lady, yet another from Ireland, had not run since slaughtering the opposition in an amateur riders event at Punchestown in October, and goes for the Feversham Novices Chase (1.30) and assuming he is tolerably fit, I expect him to be too good for Selby and The Parch.

Ballet Lord, who missed a race at Teesside, on Saturday, in order to run here, has most to fear from Tamalin in the High Melton Handicap Chase (2.30) and Little Owl, who will be partnered by the highly competent Mr. A. J. Wilson, is the likely winner of the amateur riders handicap hurdle (3.00).

The most valuable race of the day is the "National Spirit" Challenge Trophy, Pattern Hurdle (2.45) at Fontwell, and here I like the look of Drusus, a brown gelding by Levanter, trained by F. Rimell. Drusus fell when odds on to win his last race at Newbury, but before that was third at level weights to Kybo and Major Thompson at Ascot, and that represents good form.

DONCASTER
1.00—Mitchelstown***
1.30—Dikaro Lady**
2.00—Sheer Silk
2.30—Ballet Lord
3.00—Little Owl

FONTWELL
2.45—Drusus*
3.15—Red Ambion

ITN wins news award

INDEPENDENT TELEVISION News' entry "Eritrea Air Attack" has won the Silver Nymph Award in the news reporting category at this year's Monte Carlo Television Festival.

The item was filmed last June when an Ethiopian jet attacked a market town held by guerrillas. The crew was reporter John Snow, 31, cameraman Alan Downes, 40, and sound recordist Don Warren, 48. The same crew is now reporting for ITN in Tehran.

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 It's the Wolf. 4.25 Jackanory. 4.40 Buggy Pants and the Nitwits. 5.00 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 A Question of Sport.
7.20 The Rockford Files.
8.10 Panorama: "The Prime Minister, 'live' from Downing Street."
9.00 News.
9.25 The Monday Film: "In the Glitter Palace."
11.00 Tonight.
11.40 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—10.00-10.20 am For Schools (Around Scotland). 5.55-6.15 pm Reporting Scotland. 11.40 Referendum Report. 11.50 News and Weather for Scotland.

Wales—1.45-2.00 pm Pili Pala. 4.40-5.00 Bobol Bach. 5.55 Wales Today. 6.50-7.30 Heddiw. 9.25 Festival of Festivals. 10.25-11.00 Row's Business? 11.40 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Hello Sunshine. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.30 Working With Young People.
11.00 Play School.
2.15 pm Let's Go.
2.30 Shakespeare In Perspective.
3.00 That's the Way the Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 The Education Debate.
4.50 Open University.
6.55 The Water Margin.
7.35 Mid-Evening News.
7.45 In the Post.
8.10 Lennie and Jerry.
9.00 Fawlty Towers.
9.30 Horizon.
10.25 Arena.
11.05 The Light of Experience.
11.30 Late News.
11.35 Tele-Journal.
12.00 Closedown: talk by art critic Marina Vaizey.

LONDON

9.30 am Schools Programmes. 12.00 The Wotsit from Whizzbang. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 3.20 Raffles. 4.20 Clapperboard. 4.45 Horse in the House. 5.15 Batman.

5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 Kenny Everett Video Show.
7.30 Coronation Street.
8.00 A Sharp Intake of Breath.
8.30 World In Action.
9.00 Danger U.X.B.
10.00 News.
10.30 *The Eamonn Andrews Show.*
11.30 Thames Debate: "Will Scotland Lose?"
12.15 pm Close: Jo Maxwell Muller reads an Old Testament story.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "Cockleshell Heroes" starring Jose Ferrer and Trevor Howard. 5.15 University Challenge. 6.00 About Anglia. 10.30 The Day They Damned Rutland. 11.00 Monday Feature Film: "Macabre." 12.25 am Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 *Give Us A Clue.* 6.00 *ATV Today.* 10.30 Left, Right and Centre. 11.00 For Better, For Worse: Why Marriage? 11.30 Barnaby Jones.

BORDER

†1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "The Picasso Summer" starring Albert Finney and Yvette Mimieux. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 Sound of . . . The Settlers. 10.30 Late Film: "Picture Mommy Dead" *starring Don Ameche and Martha Hyer.* 12.00 Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 2.25 Monday Matinee: "Any Wednesday." 5.15 University Challenge. 6.00 Channel News. 6.10 The Amazing Chan and the Chan Clan. 10.28 Channel Late News. 10.32 TV Movie: "The Wild and The Brave." 12.15 am Channel Gazette followed by news and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 England Their England. 10.30 Reflections. 10.35 Feature Film: "Whoever Slew Auntie Roo?" 12.15 am Grampian Late Night Headlines.

GRANADA

1.20 pm Dodo. 2.25 Monday Matinee: "The Lives of Jenny Dolan." starring Shirley Jones. 5.10 Max, the 2,000 Year Old Mouse. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 10.30 Reports Politics. †11.15 House of Horrors: "The Creature from the Black Lagoon."

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "The Love Ban," starring Nanette Newman.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00 Hamdden. 2.25-3.20 After Noon Plus (as HTV General Service). 6.00-6.22 Y Dydd. 8.00-9.00 Y Dewis I Gymru.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News and road and weather. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. *6.30 What's Your Problem?* 10.30 Home and School. 11.00 Late Call. 11.05 The Detectives—McMillan.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "The Seven-Year Itch" starring Marilyn Monroe. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 10.30 Southern News Extra. 10.35 Star Treatment (Sweet Substitute). 11.05 Rafferty. 12.05 am Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 The Love Boat. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Little Vic. 5.15 University Challenge. 6.00 Northern Life. 11.30 Cash and Company. 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Keep Up With Yoga. 2.55 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.30 Compass. 11.00 Hawaii Five-O. 11.50 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 Monday Matinee: "Any Wednesday" starring Jason Robards. 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.30 TV Movie: "The Wild and The Brave." 12.15 am Faith for Life. 12.20 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Monday Matinee: "A Prize of Gold" starring Richard Widmark and Mai Zetterling. 4.10 Cartoon Time. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). *11.30 Police Surgeon.*

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Mike Read. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am: As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 Ray Moore (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 8.02-8.30 Soccer Special. 9.02 Humphrey Lyttelton with The Best of Jazz on Records (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Len Jackson (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Frank Bridge (S). 9.50 Talking About Music. 10.20 John Alldis Choir: Concert, part 1 (S). 10.55 Interval Reading. 11.00 Concert, part 2. 11.40 BBC Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Music for Organ by Bach (S). 2.40 Matinee Musicale (S). 3.40 New Records (S). 4.55 Bandstand (S). 5.25 Homeward Bound (S). ‡5.45 News. ‡5.50 Homeward Bound (continued). ‡6.15 At Home: *A Michelangeli Piano Recital from 1959.* 7.10 Vivaldi and Schubert concert, part 1: Vivaldi (S). 7.50 William Barnes (talk by C. H. Sisson). 8.20 Concert, part 2: Schubert (S). 9.00 The Soul's Dispensary: a look at the London Library. 9.45 College Concert 1978-79, part 1 (S). 10.15 Lament For a Soldier by Frederick Harrison. 10.35 College Concert, part 2 (S). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today: magazine, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.45 "Fellow-Townsmen." by Thomas Hardy. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 Second Time Round. 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Tell Me Where It Hurts (S). 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.15 Musical Journeys in Indonesia. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Perspective. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Referendum Report from Scotland and Wales. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. From 12.00—As Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,907

ACROSS

1 Lively by day? Heavens (6)
4 Sang together in church before alternative was employed (8)
10 Revolutionary plaything haulier offers upper classes (3, 6)
11 Fish born by stream (5)
12 Course it's fare (4)
13 Member of boat-race crew seen in proportion (3, 2, 5)
15 Trick presenting problem to racing motorist (7)
16 Fuel study by Frenchman (6)
19 Really fashionable action (6)
21 Support for cooked lobster (7)
23 Expert teacher of history (4, 6)
25 One family of similar character (4)
27 Blackbird heads north with cap from dentist (5)
28 Bloomer to make Biblical character's stick (6, 3)
29 Cut off crime squad in marine base (8)
30 Took unfair advantage of sailor with the second hand (6)

DOWN

1 Rich supply of beasts prepared for market (8)
2 Pressing together with one member over court case (9)
3 King weary of church (4)
5 Game played between chukkas they say (7)
6 Something on foot producing Softly, Softly (6, 4)
7 Cast supporting injured member (5)
8 One would be upset far into night to enlarge. . . . (6)
9 . . . fairground amusement on oriental boat (6)
14 Notes one part of press necessary (5, 5)
17 Unfashionable garments seen in distant suburbs (9)
18 Old man gives old woman divine notice (8)
20 Give up when wrongly praised (7)
21 Tragic king gets by without being dim (6)
22 Ran round Bill and spread out (6)
24 Good man (round 99) unfeelingly controlled (5)
26 Turnover of cakes earns rebuff (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Anna Green — Leonard Burt

Coliseum

Siegfried

by MAX LOPPERT

Next month the English National Opera gives complete cycles of *The Ring* in Sunderland and Birmingham, during its regional tour. As a curtain-raiser, and perhaps also to remind home audiences that the great achievement of the English *Ring* is still very much a thing of the present, there are three performances of *Siegfried* at the Coliseum.

At the first of them on Saturday, the standard was good. It was not the revelatory, earth-shattering Wagner that was being proposed, but a "house" performance of a kind increasingly rare, and of a worth enduringly if unspectacular. The orchestral playing was tidy, alert, balanced with an unfailingly considerate ear for a cast containing several new voices—new either to the house or to their roles. Charles Groves is not a Wagnerian to elicit timeless, golden orchestral outpourings. In the first act, the *snap and crackle* of Mime's music, Siegfried's answering high spirits, and then the sudden access of gravity that accompanies the Wanderer's entrance, were treated all in the same spirit of restraint.

But there was a sense of dramatic purpose underlying the same, middle-of-the-road approach (by no means always to be counted on in Groves' opera readings). In the third act, one recognized that energy previously held in reserve was now being spent; the enlargement of perspective at this point in the drama was cannily suggested, and, once it became clear that the new Brünnhilde, Anna Green, was not going to require coddling, the final duet achieved a lively climax—a vantage point from which the whole of the drama could be surveyed. This was the conducting of a true Wagnerian.

The balance of the cast was also very well achieved. To lend assurance and continuity, there was Alberto Remedios in the title role. In uneven voice, it is true; A was throughout the evening a note to be struggled with, and just before the final duet something (a cloud of dust, perhaps?) provoked an outburst of uncontrollable coughs. But still a Siegfried of undimmed boyish charm, naturalness, and, below the heights, of winning, unstrained tone. Don Garrard, the Wanderer of the evening, contrasted strongly with the truculent stance of Siegfried; their scene together was very gripping. But for a sometimes muzzled quality to the diction, Mr. Garrard would be the grandest of the ENO Wotans, for his stature is impressive, his voice majestic and deep-centred, and he suggests the suppressed tragedy of Wotan's spectator role in the opera with power in hand.

The newcomers could all be welcomed. Edward Byles' Mime will doubtless become more independent of the conductor's eye (he was by no means the only player to depend on the full-throated intervention of the prompt). It is already an original study, techy, cunning, and cleanly sung. John Gibbs' Alberich is sinewy, agile, with a voice that cuts through the orchestra. The concentration by both singers on the actual notes, without any whinning parlando, was heartening. Marilyn Hill Smith was a Woodbird with unusually clear words. And Miss Green, an English soprano who has made her principal career in Germany, was an admirably sure heroine. Though the actual tone will not appeal to all ears, its use is ample, broad, and confident. She will soon learn to foot her way less tentatively around Brünnhilde's launching pad.

John Denver's six shows

John Denver is to play a series of six concerts in *England, Scotland and Ireland*, prior to April dates in Germany and other European countries. He opens at the Dublin RDS hall on Wednesday March 28, with two concerts. After Dublin, Denver appears in a single (9.30 pm) performance at Manchester Apollo on Thursday March 29 and another single *performance* at 8 pm at Glasgow Apollo on Friday March 30.

Finally, Denver will be presented in a "theatre in the round" format at London's Wembley Arena on Sunday April 1 and Monday April 2.

The background to 'Lulu'

by RONALD CRICHTON

By the time these words appear, if all goes well, music will have been enriched by the first complete performance, at the *Opéra* in *Paris*, of Alban Berg's *Lulu*. The standing of Berg as a composer, the quality of the two acts plus two fragments of *Lulu* which are already familiar (not to speak of Berg's first opera *Wozzeck*, long established as one of the cornerstones of this century's music), with the unusual circumstances of the long delay in the completion of *Lulu*, combine to make this production the most important event of its kind since the premiere of Schoenberg's *Moses und Aron* in Zurich in 1957. At least a skeleton summary of what happened, to delay the appearance of the complete *Lulu* may be useful, while a full review of the opera will appear on this page on Wednesday.

Berg died in 1935, aged 50. *Lulu* was by then composed, except (it seems) for some minor details in the last of the three acts, which were sketched in. He had orchestrated the first two acts and part of the third—work on that was broken off for the composition of the Violin Concerto and the arranging of the suite, also known as the "Lulu-Symphony," taken from the opera. Of the whole opera he had prepared a short score giving the vocal lines a reduction of the orchestral part on two or three staves. This enabled Erwin Stein of Universal Edition, Berg's publishers, to prepare a vocal score. However, until recently, only acts one and two were issued.

Not long after Berg's death, his widow Helene wrote to Schoenberg (to whom *Lulu* was dedicated), asking him to undertake the completion of the opera. Schoenberg declined, on the grounds that inspection of the material proved the task more difficult than he had anticipated. But to Erwin Stein he wrote giving another reason, namely that the first scene of act three contained some anti-Semitic expressions which he could not stomach. Berg's text was a conflation by himself of two consecutive plays by the German dramatist Wedekind, whose subject matter in any case was unlikely to appeal to the austere Schoenberg. Strange that on-one apparently showed his widow Schoenberg's second letter.

Helene Berg lived on until 1976, obstinately refusing to countenance the completion of *Lulu*, convinced that she was in spiritual communication with her dead husband. In her will made in 1969 she expressly forbade either attempts at completion or examination of the photocopy of the autograph held at the publishers in Vienna. Nevertheless, for years musicians and directors of opera houses had been hoping that some solution could be found. Among them was Rolf Liebermann, present head of the Paris Opéra, who had been trying to persuade Frau Berg to relent since he was director of music at Zurich Radio in 1950 and subsequently Intendant of the Hamburg Opera.

The Will presented an ethical problem hotly debated in Vienna by, among others, the Berg Foundation, created posthumously to safeguard the interests of his music. For those uninvolved in the controversy, except as potential listeners, it may seem a worse crime to deprive the public of the completed score than to go against the surely misguidedly loyal old lady's wishes. There is a further complication which may throw some light on Helene Berg's obstinacy.

It recently came to light that Berg fell deeply in love with Hanna Fuchs-Robettin, wife of a Czech business man, sister to the writer Franz Werfel, the third husband of Frau Berg's great friend Alma Mahler. The whole story is not yet clear. Hanna was most closely associated with another work of Berg's, the Lyric Suite. But his love seems to have become associated in his wife's mind with the composition of Lulu.

Be that as it may, the publishers went ahead, and *Liebermann captured the world premiere* of *Lulu* for Paris, with Pierre Boulez as conductor and Patrice Chéreau as producer. Boulez was one of the obvious candidates for the job of completing the score. Another was the American musicologist and Berg scholar George Perle. The choice finally fell on the Viennese composer Friedrich Cerha. The main thing is that *Lulu* can now be seen and heard whole. Ever since the Zurich premiere of the unfinished version in 1937, the opera has been given with a makeshift third act, omitting the first scene, and giving only the interlude and closing pages from the concert suite, accompanied on the stage by miming of the heroine's last miserable hours. As Boulez remarked in a pithy article in Le Monde of February 15, the harm done to *Lulu* by truncated presentation is less than the risk entailed by the completion of the scoring by another band.

Festival Hall

Vienna Philharmonic

by MAX LOPPERT

There was a standing ovation for Karl Böhm and the Vienna Philharmonic Orchestra at the official end of their first London concert, on Friday. And then, as encore, a Strauss waltz which justified the ovation. (And perhaps even the price of the tickets? At any rate, top price £18 sets the new South Bank record.) For if one were seeking demonstration material of the orchestra's great and long-famed virtues—the silken allure of the string tone, the sumptuousness of the whole band in full flood, the feeling of ripeness and a supreme graciousness in the shape of each phrase—it is to the encore that one would on this occasion have gone, rather than to the readings of the Schubert second and Beethoven fifth symphonies before it.

The Schubert was remarkably without lilt, easy lyricism, or the light-hearted buoyancy native to the 18-year old composer and, supposedly, to Viennese performances of his music. (It must be devilishly hard to dig out lilt and lyricism after being caught up, as the orchestra was, in Friday's industrial troubles at Heathrow, and then arriving at the hall only just in time for the concert start; but nevertheless the absence of those qualities has to be recorded.) The size of the orchestra, accommodating a hefty contingent of strings and brass, was no doubt a natural barrier to luminosity of texture. But, in conjunction with Böhm's straightness of vision, the result was mostly massive, often even heavy. It allowed one too much leeway to notice passing fumbles and lapses of ensemble, and the narrow-bored, charmless tone of the solo oboe, in the Andante, and too little encouragement to delight in the music.

Massiveness returned with Beethoven, and was now more appropriate to the work—although thick sound was a danger not always avoided, and the four trumpets, probably unaware of the hall's unhelpfully dry acoustics, tended to bray out their utterances disagreeably. At best, in the recapitulation of *the first movement* and in the triumphant Presto of the last, there was an angry brilliance and a parade-ground-in-full-colours rigorousness to the performance that was undeniably impressive. But I, at least, was expecting some sudden flash of inspiration, some intimation of special understanding, some moment of a "this is the Vienna Philharmonic and no other orchestra" kind. And was disappointed.

*

On Saturday Dr. Böhm and the Vienna Philharmonic devoted their programme to the last three symphonies of Mozart. No eccentricities or experiments were to be expected, and none were heard — only loving exposition, phrasing of unforced naturalness, round and lucid balance. In fact, the Philharmonic's excellent clarinets sounded a trifle backward in the 39th Symphony. Böhm did not use them in the 40th Symphony, opting for the clarinetless first version of the score—though he chose to double Mozart's single flute in tuttis. Whether the reinforcement mattered much I was unable to determine.

Böhm's Mozart — the symphonist, at least — is gracious but plain-spoken. All three of the minuets were muscular, *slightly countrified affairs*, and in the brilliant Finale of the 39th one missed some point in the racing exchanges of the free-for-all, which hardly sparkled. (There wasn't real unanimity about how to treat the dropping-fifth tag which makes mock-punctuations all over the music.) We had a gravely searching Andante in the 40th, but the crucial edge of anxiety in the opening Molto allegro (taken slower than that) had been scarcely detectable. By the interval, one was noticing occasional imprecisions of ensemble which represented the orchestra below its marvellous best.

After the interval one forgot that at once. Everything about the "Jupiter" Symphony is calculated to bloom under Böhm's cultivation, and it all bloomed resplendently; the orchestra sounded refreshed and keenly alert, and Böhm's extraordinary sense of how to shape a movement so that it seems to be sung in a single breath was superbly displayed. The combination of rich weight with effortless clarity in all the voices was a model: I wrote here some time ago that anybody who claims to hear everything that goes on in the "Jupiter" Finale needs to examine his conscience very carefully, but in this performance the feat seemed for once almost possible. It made a wonderfully invigorating conclusion to the Vienna visitation.

DAVID MURRAY

Sally Inkin, Ashley Page, Laura Connor and Anthony Conway in 'The Concert'

Covent Garden

Symphonic Variations

by CLEMENT CRISP

In the 33 years that have elapsed since Ashton made *Symphonic Variations* as a confession of faith and a declaration of intent—classical dancing in Britain should look like this: clean, musical, orderly in spirit as in form — the Royal Ballet has come of age, and has accepted Ashton's blue-print for the future. Whatever other artistic tasks it had undertaken, other styles it has mastered, *there is* something fundamental in our national company's dancing which was fixed by *Symphonic* in 1946, and is still best seen in it. Last autumn, when five admirable young artists from Covent Garden showed us Michael Corder's *Rhyme nor Reason* — a first ballet by a choreographer a good deal younger than *Symphonic*—dancers and dance spoke even there of *Symphonic's* influence through their clarity and classic distinction.

On Friday night *Symphonic* returned to the repertory at the Opera House, led by Merle Park at her most musically persuasive, with Wendy Ellis and Marguerite Porter as her companions, and the male contingent of Wayne Eagling, Michael Coleman, and the pleasing debutant Mark Silver. A fluent performance by the dancers was sustained by a spacious account of the score (Anthony Twiner as soloist; Ashley Lawrence as conductor) which seemed more authentically Franckian than many a hard-driven and glittering concert interpretation. Ballet and music were both filled with light and grace.

Other Ashton variations—the *Enigma* set—opened the programme. There seemed on this occasion a tendency for the cast to over-play their emotional hands—Monica Mason a restrained and lovely exception as Lady Elgar—but I must salute Leslie Edwards as Nevinson. In a larger, passive role, he provides detailed observation about character that never distracts from the ballet's *atmosphere* and *as with his* finest performances, his attention to music is exemplary: in recent showings of *Sleeping Beauty* the economy of his gesture, its harmony with Chaikovsky's phrasing, should be studied by every other character artist on stage.

The fun in the closing *The Concert* was fast and at moments too furious: Robbins' jokes are made without wasting the flicker of an eye, and there is no need to nudge the audience into seeing the humour. I enjoyed very much Laura Connor as the chief zany—a spare hand disposed of in a Steinway *with superb aplomb*—and I admire the way Vergie Derman keeps her elegant cool amid the disasters of the waltz sextet. Both understand the art of under-emphasis; a dance joke thrown away is never lost.

St. John's, Smith Square

Clerkes of Oxenford

by NICHOLAS KENYON

This marvellous, unforgettable concert was entirely devoted to the music of John Sheppard, one of the shadowy figures of English music in the Reformation period. His date of birth is not known; he was in charge of the choristers at Magdalen College, Oxford, in the 1540s and 1550s, and was also a Gentleman of the Chapel Royal. He died perhaps around 1560. History has linked together the names of the two towering geniuses of this period—Byrd and Tallis—so firmly that we tend to forget that a complete generation separates them: a generation which moreover felt most keenly the rapid changes of musical style dictated by the liturgical changes of the Reformation.

Sheppard's music can sustain a whole evening's length for this very reason: his change of idiom through the 30 or so years he was active, from the almost decadent late-Gothic elaboration of the Marian antiphons such as "Gaude, gaude" to the post-Reformation serenity of the "Our Father" or his *Western Wind* Mass, is astonishing — other composers (notably Tye) faced the same challenge, but few were so successful in both old, intermediate and new styles.

The Sheppard volume of *Tudor Church Music* was never published, and until David Wulstan's recent work with the Clerkes of Oxenford (and Nicholas Sandon's more recent volumes in the *Early English Church Music* series) we had to judge him by such isolated works as the *Western Wind* Mass, a puzzling companion piece to the Taverner and Tye Masses on the same theme—perhaps written for Catholic celebrations in Queen Mary's reign, perhaps a piece of royal flattery for Henry VIII (since the tune used is less similar to the "*Western Wind*" than to several melodies and descants which the young Henry arranged).

The Clerkes' perfect balance and control made of this Mass a piece of almost unbearably intense simplicity, the soprano reworking of the melody hypnotic in effect (though why were two elaborate sections from Sanctus and Agnus omitted: there is surely only one source?). Something of the same understated passion ran through the two versions of the Responsory "In manus tuas" in which the vocal technique which underlies Wulstan's transposition of this music to high pitch could be heard: crystal-clear female trebles, accurate, clean-edged "means" (i.e. middle voices), hard, firm counter-tenors (a little nasal?), bell-like tenors, and crisp, resonant basses: no cotton-wool edges in any section, no overblown expressiveness, *but no lack of* response either to the music and its texts.

David Wulstan knows precisely when to intervene with the course of the music: a sudden, slight intensification at the sensuous, surprising "Amen" of "Jesu salvator saeculi"; a holding-back in the control Alleluias of the ecstatically florid Respond "Filiae Hierusalem"—all the time drawing the tensile lines of the music along, holding them in an equilibrium as bold yet as delicate as any Gothic arch.

The Clerkes have two recordings of Sheppard's music available: on Classics for Pleasure (40265, £1.49) and Calliope (1621, £4.35): they may help to recapture a concert which displayed rare integrity and skill. Beware of imitations.

SOCCER BY TREVOR BAILEY

Brighton have Division One look

FULHAM'S PROMOTION hopes *received an unpleasant setback* at Craven Cottage, where they were beaten 1—0 by Division II leaders, Brighton and Hove Albion, who outclased them in every department.

Until Saturday, Fulham, just behind the front runners with games in hand, looked well placed. They had just splashed out *£150,000* on Kitchen, *from* Leyton Orient, to provide their attack with additional fire power. But, on this occasion, they simply did not suggest First Division material—short on skill and ideas, often over-physical and unable to match the teamwork of their opponents. Perhaps it was just *one* of those unhappy afternoons which happen to all sides, as it was hard to believe that this was the same club which had impressed me so much when beating Crystal Palace at Selhurst Park earlier in the season.

What quite rightly disappointed Bobby Campbell, the Fulham manager, apart from the *result, was a gate of only 18,640* for one of the most important League fixtures of the year, in good weather, and which also provided the first opportunity to see his new signing, Kitchen, in action. This lack of support through the turnstiles—more than half their home matches have drawn well under 10,000—must worry the directors because these figures do not pay the wages in the Second Division, let alone the First.

In spite of limited resources, Campbell has bought, by Division Two standards, quite heavily and very shrewdly on the transfer market. Most of the money he has spent has come from what he has received from the transfer of his own players.

Buying the right player at the right time and at the right price is a sign of an astute manager. What requires even more business acumen, however, is the ability to sell, or unload, players not required, for more than they are worth. In this context, Campbell has been brilliant.

It has always been a pleasure to visit Craven Cottage because of the happy atmosphere and hospitality. It may be only imagination, but their fans always appear to be so much more civilised than those just up the road at Chelsea. Why then does Fulham not draw larger crowds? The big, probably the main reason, is that there are simply too many League clubs in that part of London, with Chelsea, QPR, Brentford and Wimbledon all within easy reach.

Even in the decade Fulham spent in the First Division, their gates remained relatively small. Much of the period was spent waging a battle against relegation, so that if *they should* go up again, it is hard to see them surviving different story with Brighton who, although they have never been higher than the Second Division, appear to be better equipped playing-wise and are also drawing much larger crowds because there are no other clubs in the vicinity.
who had been out of first-team

After the match, Alan Mullery, Brighton's lively and ambitious young manager, declared *himself well pleased* with his side's performance and he had several excellent reasons for satisfaction. His team had beaten, with surprising ease, and away from home, hard opposition who had ben a shade unfortunate to have been eliminated from the FA Cup by Manchester United and were generally *regarded as serious* promotion contenders.

Individualism

Early in the game, when the visitors were well on top, they lost the services of Sayer, who went off on a stretcher, the unfortunate victim of a late, high, and ugly tackle which passed unnoticed by the referee. Initially, this caused Brighton to lose some of their rhythm, as Sayer, in his forward role down the right wing, provides them with additional width. Gradually, the substitute, Clark, who had ben out of first-team football for several months, made his presence felt, more through determination than skill, and eventually had the satisfaction of forcing home the winner after an incisive dribble by O'Sullivan and assistance from Maybank and Ward.

The exciting Ward, who has ben unable to command a regular first-team place since before Christmas, is an indication of the strength of the club. He caused numerous problems with his darting runs, speed off the mark and ability to go past defenders almost at will. On the ball, in the way he fed off the main target man, Maybank, and his poacher instinct, Ward reminded me of Keegan in his early days, but does he possess similar vision? On a couple of occasions, his brilliant individualism opened up the opposing defence, but he unfortunately failed to see the colleague waiting to administer the coup de grace.

Although Brighton have a fine defence, and in the elegant Lawrenson, one of the best centre-backs in the country, there were moments of unnecessary panic in the closing stages when they were simply trying to hold on to their one goal lead. They forgot the fundamental truth that they are so much more formidable when moving forward and nearly paid the penalty. If they remember this fact in the final stages of the competition, they should not only gain promotion, but also prove an asset to the First Division in terms of both football and gates.

TENNIS BY JOHN BARRETT

Top prizes for teenage talent

ONE OF THE INTERESTING side effects of 11 years of open tennis has been the emergence of the infant prodigy syndrome. Never before has there been such a galaxy of teenage talen capable of holding its own among even the most exalted company. The 1978 exploits of 19-year-old John McEnroe, Tracy Austin (15) and Pam Shriver (16), are well known. But they are only the spectacular tip of a gigantic iceberg of questing youth which nowadays is being taught to compete from the age of eight onwards.

Of course, it was obvious that once the game began to offer rewards comparable with what could be earned in other sports, it would inevitably attract outstanding athletes. The signal for this advance was the announcement, in 1971, that Rod Laver had become the first tennis millionaire. So rapid and so steep has been the advance in leves of prize money since, that Jimmy Connors has now earned more than \$2m in prize money, and there are at least another 17 men and women whose on-court earnings alone have made them dollar millionaires. Small wonder that the scramble to climb aboard the treasure laden tennis galleon begins at an ever earlier age.

Nowhere are the opportunities greater, the facilities better, or the competition more fierce, than in America. The latest phenomenon to emerge from the intricate nationwide structure of age-group tournanments from eight to 80, is a bright little pig-tailed girl from the Chicago suburb of Lincolnshire. Andrea Jaeger is 13 years old, wears braces on her teeth and stands just 4 ft 11 in tall. She is bright, intelligent (six A's and a B plus) and takes a healthy interest in children's comics and television cartoon shows. Yet, on the tennis court, she becomes as deadly as a rattlesnake, full of venomous thrusts from her Evert-like double handed back-hand and with a depth of concentration remarkable in one so young.

Last December, from a field of 64 of the best under-18s in the world, she won the Orange Bowl tournament. In the final, she beat the 18-year-old South African Number 1, Ros Fairbank in straight sets, having eliminating another impressive 18-year-old, the Czech, Iva Buderova, 7—5, 6—3 in the third round.

Three weeks ago, in the under-18 Pepsi Cola junior international championships at Boca West, Florida, I watched Miss Jaeger win again, carving down girls who were up to five years older, far stronger and altogether more experienced.

Her timing, particularly on a windy semi-final day, was remarkable. She faced Mary Lou Piatek, a 17-year-old near neighbour from Whiting, Indiana, who always beats Andrea's 16-year-old sister, Susan. In spite of the gusts which threatened to blow the little girl over, Andrea won the match 6—0, 6—0.

When Andrea was told she would play her final—a rematch against Miss Fairbank—on the stadium court in front of 10,000 spectators, immediately after the Borg-Vilas semi-final of the Pepsi Grand Slam, she was positively delighted. The fact that there were at least 6,500 fans still in their seats at the end of her one-sided 6—2, 6—1 victory was a tribute both to her undoubted ability and to her magnetism.

Last week's BP Cup competition in Hamburg underlined the rapid advance of today's young players. Although this international team competition is for players aged 20 and under, the average for most teams was nearer 17. The fact is that today's 18- and 19-year-olds are already on the professional circuit.

The success of Sweden in winning the girls' title for the first time from the American holders was an encouraging omen for Europe, though, of course, neither Miss Austin nor Miss Shriver was playin for the United States. Almost as impressive was the progress of the Swedish boys to the final, where they lost 1—4 to the Americans. The standard of play was as high as anything to be seen in the early rounds of minor professional tournaments.

The Swedish Number 2, Jan Gunnarson, who is a 16-year-old carbon copy of Borg, impressed me as the find of the competition. The manner of his three-sets victory against the U.S. Number 2, 19-year-old Robert Van't Hof, was remarkable for the consistency of his attacking game. Even in losing to the U.S. Number 1, Mel Purcell, who is the top-ranked under-21 American, there were qualities of skill and determination that mark him out for a bright future. In Sweden there are at least four other boys of equal promise. This is the extent of Borg's influence on Swedish tennis.

At the highest levels, the rewards for the young champions will ensure an ever-growing band of aspiring imitators. Miss Austin, 16 last December, is among the top half-dozen women in the world, and her prize money since winning her first professional tournament in Stuttgart last October, was \$60,000.

McEnroe's success was even more awe-inspiring. After his first professional appearance at Queen's Club last June, the young left-hander amassed an astonishing \$445,024 from prize money and bonuses in just six months. With examples like these before them, the next generation of youngsters will be battering at the doors.

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The vote on devolution

THE PROPOSALS for devolved government on which the Scottish and Welsh peoples will vote on Thursday represent the best that Westminster has been able to offer over a considerable period time. They are far from being ideal. Not even the most convinced advocate of devolution would deny their many imperfections.

At the same time, however, the proposals are the result of prolonged and even agonised debate. They are also in a sense bipartisan. Two former Tory Prime Ministers—Lord Home and Mr. Edward Heath—were among the earliest devolution supporters, whatever the Conservative Party might say today. The present Labour Government may have been a late convert, and its conversion may have had other motives, but it was drawing on the Tory—one might almost say the collective—experience. There was a problem in Scotland and Wales which commanded attention.

The problem is hard to define precisely. At the lowest level there is a feeling of remoteness from Westminster, though that could also apply to regions of England. More acutely, and more in Scotland than in Wales, there is a sense of nationalism, though for the most part it is nationalism with a small "n." Among a minority—and again more in Scotland than in Wales—there is a demand for independence.

These feelings have ebbed and flowed over the years, and no doubt will continue to do so. Yet it was the fear that if something were not done, the demands for independence would grow that compelled Westminster to act. The outcome was the devolution legislation which is the subject of the referendums this week.

Cobbled together

Few people would envy the Scots or the Welsh their choice. On the one hand, they are being asked to vote for or against proposals for separate Assemblies that are only the best that a disparate Westminster could cobble together. The proposals are full of contradictions and potential problems for the future. The Assemblies, for example, would have no power to raise revenue, but could certainly raise the political temperature to an alarming degree in the annual negotiations over the block grant from Parliament. It is also unclear how the Assemblies would fit in with existing levels of regional or local Government.

On the other hand, the Scots and the Welsh must suspect that if they turn down devolution now, nothing remotely comparable is likely to be offered for many years to come.

There is a still deeper dilemma. Many of those who are campaigning hardest for devolution are the nationalists, some of them with the "n" writ large. The Scottish National Party, in particular, has made it clear that it is not in favour of devolution for its own sake. It sees it rather as a stepping stone to independence.

English dimension

There is also an English dimension of which the Scots and the Welsh ought to be aware. The establishment of separate assemblies could lead to a considerable backlash among the majority people of the UK. There could be resentment at the apparent special status of Scotland and Wales, and resentment, especially at Scottish and Welsh MPs voting at Westminster on largely English matters. The feeling could be at its strongest in English regions such as the north east which have their own identity but which have demanded less for themselves than have the Scots or the Welsh. Such problems could probably be overcome, but it would be foolish to pretend that they do not exist.

In the end, however, it is for Scotland and Wales to decide. The most that those who do not have the vote on Thursday can do is to try to point out the possible consequences. Over the years both the Scots and the Welsh have signified some discontent with their lot. They are now being offered a remedy of a kind. The bold choice would be to accept it, and then to seek to make it work. Devolution is a halfway house between the present unsatisfactory state of affairs and home rule. That is what many of the Scots at least have seemed to want. If they can take it and keep it that way, the recurrent problem of Scottish nationalism may be resolved. Yet to ensure that will require some confidence among the Scots that they can contain their own extremists. That is the real challenge of Thursday's vote.

Accounts for state boards

THE INTERIM guidelines on inflation accounting issued by the nationalised industries' chairmen's group last week hardly took matters very far. But they were probably as much as one could expect at this stage given the state boards' differing interests, the Government's own limited progress towards setting financial targets on a consistent basis—and the present state of play in the accounting profession on inflation accounting generally.

The guidelines are intended to reduce the diversity of practice which aroused so much criticism last summer. They require each board to show either in their accounts or in a supplementary statement a figure for operating profit calculated on current cost accounting principles after depreciation and cost of sales adjustments but before interest, taxation, and other items. They, however, leave to the boards' own option the all-important question of a "gearing adjustment."

Minimise

This adjustment was included in the accounting standards committee's own interim guidelines to recognise the fact that, though the cost of using assets increases in money terms, the cost of financing assets with borrowed money falls as inflation erodes the real burden of repaying borrowings. To the extent that assets are funded by borrowed money as opposed to equity, the owners of a business should be relieved of the full incidence of depreciation calculated on CCA principles. The supplementary charge for depreciation over and above historic cost should be reduced by a gearing adjustment reflecting the debt/equity ratio.

While this may make sense for a private company, it arouses major conceptual and practical issues in the nationalised sector and a solution is not made any easier by the differing circumstances of each board. It would suit capital-intensive industries like electricity and gas, which are making large profits, to minimise the figure they show in their accounts by not making a gearing adjustment whereas those making big losses would prefer a gearing adjustment so as to reduce their apparent rate of loss.

These differences bring into focus the illogical way in which state industries are financed. It was to suit Whitehall's convenience that they are wholly state-owned rather than mixed enterprises of the kind found on the Continent, that they are required to rely wholly upon their Exchequer for capital finance (including approval for overseas borrowings), and that these funds come in the form of loans based upon the terms the government itself raises money.

Dangerous

The public dividend capital allowed to a few boards in addition to loans is an irrelevance since PDC issues are in effect little more than a form of deferable loan stock with participating rights. Because of the restriction on PDC issues, and because past official curbs on pricing policies have sharply limited the boards' ability to build up reserves, their capital structures owe more to historic accident than to principle.

It could be argued that, because the risk bearer in the nationalised sector is not the boards themselves, nor even the Government, but the taxpayer (particularly when the industries are required to pursue non-commercial objectives), the windfall gain that arises from the eroding real value of borrowed capital should be the taxpayers' (and therefore recorded in the Government's rather than the boards' accounts). On the other hand, it could be said that the adoption of inflation accounting will make it even more necessary to re-think the basis upon which the state industries are financed.

What would be most dangerous would be to introduce a gearing adjustment on the wholly fictional basis of existing capital structures. For it would merely encourage excessive wage claims and arouse pressure for prices to be reduced (a trap the Price Commission fell into in its South of Scotland Electricity Board report last year). The problem all along with the nationalised industries has been too much under-pricing and too much unprofitable investment. Inflation accounting ought to encourage, rather than deter, realistic pricing and investment appraisal policies.

TURKEY'S ECONOMIC CRISIS

BY DAVID TONGE

High stakes at risk for a member of NATO

The Turkish politicians with most to lose if they do not meet the IMF's requirements: Mr. Ecevit, the Premier, and Mr. Muezzinoglu, the Finance Minister.

"IF pushed against the wall, Turkey would not hesitate to jump through the window," Mr. Bulent Ecevit, the Turkish Prime Minister, said three months ago. He was arguing that Turkey had other options than to accept the demands for austerity put forward by the West as the price for bailing the country out of its economic crisis.

Today such claims sound increasingly hollow. Instead there is the growing belief that if his Government and the country's political institutions are to weather the storm then not only the grandiose plans for building the "Great Turkey" of tomorrow will have to be thrown out of the window but so will the whole self-reliant economic philosophy on which the country's recent growth has been based.

It is a turning point in Turkish economic history—reached at a time when the main countries in the West are to some extent divided in the emphasis of policies to carry through the commitment to help which they made in Guadeloupe last month. All last year's anguished appeals for aid by the Turkish authorities seemed to fall on deaf ears, but uncertainty about Iran has helped NATO leaders to concentrate their minds. They were perturbed by what they found. First estimates are that immediate aid of around $500m is required from them and double this again in the next year.

Further, a minimum of $1bn foreign capital will be needed in each of the following four years, according to the Government. Bankers fear that the real requirements could be three times greater. The alternative is a persisting economic crisis with growth either cut back or stopped. Even the post-1960 average annual rise in GNP of 7 per cent has not prevented the emergence of at least 20 per cent unemployment.

A continued slowdown would exacerbate the already raging social pressures. Last year over 800 people died in political violence. Sectarian and racial riots have flared. Martial law is in force. If anything is surprising it is that the country's parliament and parties have not been more severely shaken.

This week Mr. Ziya Muezzinoglu, the Turkish Finance Minister, is expected to fly to Bonn to meet West German officials and Mr. Emile Van Lennep, Secretary General of the Organisation for Economic Co-operation and Development. The "Guadeloupe four" disturbed at the scale of aid required and believing that the OECD provides the best forum for co-ordinating their efforts, have asked it to handle their politically-motivated rescue package.

But the OECD has since begun to run into the same problems that have already caused the suspension of negotiations between the Turks and the International Monetary Fund about releasing the third tranche of the $450m stand-by agreement reached between the two last April. This week's meeting is an attempt to bridge the differences which have emerged, with some progress already claimed towards preparing an initial aid sum.

The OECD is reported to be backing the IMF's calls for devaluation of the Turkish lira and for further austerity at home. In 1977 the public sector deficit had reached 8.8 per cent of GNP although, in his 13 months in office, Mr. Ecevit has initiated a series of measures to reduce it.

Foreign direct investment

Also the OECD is said to be pressing for the adoption of the recommendations in its recent report on the Turkish economy. These include opening Turkey to foreign direct investment, developing tourism and generally allowing a greater reliance on and exposure to normal market forces. In particular the OECD wishes to see a limitation of the activities of the State Economic Enterprises which account for almost two-fifths of Turkey's industrial output. These recommendations would imply a major switch from the mixed economy of Turkey's recent past—with its green-house protection of local industry behind tariff walls—to a more typical Western approach.

Already the Government has paid lip service to welcoming foreign investment and tourism. The problem lies in how a parliament and bureaucracy long suspicious of the outside world will approve and carry through such policies.

Arguments about such matters have repeatedly led to acrimonious relations between Turkish governments and the IMF. Within Turkey demands for economic orthodoxy have been presented as tantamount to a return to the capitulations which crippled and humiliated the Ottoman Empire in the last century. National pride, a strong factor in Turkey, has been aroused. Yet more important, the economy is already depressed. Factories are working at half capacity on average. Consumer prices have risen more than 60 per cent in the past year. There is a shortage of basic commodities.

In this hungry and sullen country calls for austerity evoke, at best, a cynical response. There is a limit to how much further any government which wishes to survive can tighten the Turks' belts. And it is here that the slight differences between the "Guadeloupe four" become important.

The West Germans and French appear to put considerable store on Mr. Ecevit staying in office. The Americans and British, however, seem less committed, being concerned about his "multilateral foreign policy," even if it is one within NATO. They also look askance at his rhetoric about a "new defence concept"—an undefined phrase which appears to give focus to the growing reservations about the West within the Turkish armed forces and bureaucracy, not least because of the recent U.S. arms embargo on Turkey.

The U.S. and the UK thus would not be disturbed if a grand coalition emerged between Mr. Ecevit and his predecessor, the opposition leader, Mr. Suleyman Demirel—even if Mr. Demirel's mismanagement of the economy in the 1960s led to the economic crisis of 1969 and his failure to prevent even more serious profligacy between 1975 and 1977 is largely responsible for the country's present plight.

Also worrying those who wish the survival of parliamentary democracy in Turkey is the way that Mr. Demirel has long supported and formed coalitions with the Nationalist Action Party. This is a militant neo-fascist party and many of its members have been arrested for political violence.

The U.S. now states publicly that Turkey must comply with the IMF's demands and that there is no such thing as money without strings—a view privately espoused by the British. The U.S. and UK believe that without the IMF's endorsement the world's money markets are unlikely to complement any aid they arrange. They also believe that the basic conditions attached to aid cannot be abandoned.

But the West Germans go somewhat further. In private their diplomats argue that a major mistake has been made in presenting the aid programme in terms which make it seem that the Turkish Government will have to capitulate before aid can flow.

Turkey has long resisted the recipes of Western economists. In the 1960s it exported workers rather than importing Western capital and technology. Private capital accumulation flourished behind tariff walls. Emigrants' remittances helped reserves build up to over $2bn by 1973.

The costs of Cyprus

The present crisis began to develop five years ago. The costs of invading Cyprus in 1974 and the subsequent U.S. arms embargo had to be borne by an economy suffering from the rise in oil prices and beginning to be affected by a slowdown in emigrants' remittances. At the same time growing protectionism in Western Europe hit the agricultural-based exports on which the country depends.

In 1973, the remittances had covered two-thirds of Turkey's trade deficit; by 1977 this share had fallen to one-fifth of the much larger deficit. Remittances are now channelled largely through a black market.

The consequences of all this were long disguised by the inflow of over $2bn of short-term funds under the convertible Turkish lira deposit (CTLD) scheme introduced by the Demirel Government in 1975.

This offered depositors the interest rates available in Turkey while protecting them against exchange risk. Though the scheme made poor economic sense, the desire for the high profits involved meant that foreign capital continued to pour into the scheme—long after the economy was clearly off course and even though such funds effectively prevented Turkey from raising the longer-term money it needed.

Since the present Government took over at the beginning of 1978 it has been involved in four complex operations—tidying up existing debt, securing fresh funds, putting the public sector in order and devising a development strategy for the future.

The reordering of debts has been one of the largest such operations in financial history, involving some $6bn. The main and most complicated item has been the CTLD. Banks involved are now optimistic that agreements converting $2.4bn of CTLD to seven-year money could be signed within the next two months.

Agreement has also been reached on the rescheduling over seven years of $458m of bankers' credits: on the tidying up of $90m of Turkish Central Bank overdrafts; and on the refinancing of $1.2bn of payments due on development loans and on trade debts guaranteed by OECD governments.

Still to be handled are a mass of unguaranteed trade arrears, possibly totalling as much as $1.5bn and about $200m of third-party reimbursement claims against the Turkish Central Bank.

The seven foreign banks co-ordinating this restructuring insist that agreement must be reached on the different items before fresh money can be provided. However, they say that if all goes well some $400m of seven-year money could be available by end-April.

Other fresh money in the pipeline includes the OECD "Guadeloupe aid." The EEC is proposing increasing Community aid. Libya is seeking to put together an Arab fund for Turkey.

However, the banks' Euro-dollar loan and the Guadeloupe aid will both require Turkey to fulfill the IMF's standards of good housekeeping. Last year Mr. Ecevit had a number of open clashes with the IMF. The problems have been over controlling public finances. Considerable progress has been made, even if parliamentary opposition has forced Mr. Ecevit to withdraw parts of an essential tax reform bill.

But Central Bank credits have not been sufficiently checked, nor has the Government abandoned its ambitious immediate growth targets. The IMF is also insisting on a further exchange rate adjustment but Mr. Ecevit is delaying any such move until a complete programme of measures, drawn up with an eye on the Fund's requirements, can be announced. The obvious timing for this would be in conjunction with the traditional post-budget package. The budget is due to be voted this week.

Longer-term issues

While the IMF is mainly focusing on the short-term management of the Turkish economy, the OECD is concentrating on the longer-term issues. The present Government has tabled a five-year programme which aims at reaching an 8 per cent annual growth rate. This is widely considered unrealistic, but even if growth is cut back the financing requirements forecast by the Government — a minimum of £1bn per year—still seem far too conservative.

These doubts are increased by the startling fact that, even after Turkey's debt has been rescheduled, over two-fifths of its forecast export earnings will have to be earmarked to service the debt. Yet already virtually all those earnings are required to meet the country's oil bill alone. One hope is that emigrants' remittances can be diverted back into official channels.

The econmic crisis of 1958-9 helped to precipitate the military revolution of 1960. This led to Turkey introducing central economic planning and adopting policies of import substitution and attempts at self-sufficiency. Ten years later the foreign exchange crisis of 1969 was followed by a further military intervention — the commanders' ultimatum of 1971 which forced Mr. Demirel temporarily out of office. But there was no major change in economic policies.

Ten years later, the present economic crisis augurs farther reaching consequences. Political developments are hard to forecast, even though there appears to be less conflict between the army and the Government than on previous occasions. But on the economic front changes are under way—major ones given that the Government has a majority of six and that the issues involve both the Turk's national pride and dreams of building themselves into a great industrial power overnight.

Mr. Ecevit has gone far down the road demanded by the circumstances, but still falls short of the West's requirements. The outcome of this conflict is in the balance, even though the Government's supporters insist that the worst is over. The stakes, however, are high, involving ultimately the future of democracy in Turkey. And soon something will have to give—and be given.

TURKEY'S DEBT STRUCTURE

$ millions	At Sept. 29, 1978	After planned re-scheduling
SHORT-TERM¶		
Public sector		
Bankers' credits	458	—
Third-party re-imbursement claims	200	—
Dresdner Bank scheme*	292	292
TPAO oil debt to Iraq	322	322
Petrol Ofisi Acceptance credit	150	150
Others	248	248
Private sector		
Acceptance credits	874	874
Arrears to suppliers†	1,600	900
Convertible lira deposits‡	2,967	560
TOTAL	7,131	3,346
MEDIUM AND LONG-TERM DEBT§		
Public sector		
International organisations inc. IMF	1,944	1,995
Bilateral credits		
Participating OECD countries	2,526	3,226
Others	159	159
Euroloans	367	367¶
Re-scheduled bankers' credits	—	458
third-party reimb. claims	—	200
conv. lira deposits	—	2,407
Loans to be syndicated by banks	—	400
Private sector	281	281
TOTAL MEDIUM AND LONG-TERM	5,277	9,493
TOTAL EXTERNAL DEBT	12,408	12,859

* DM deposits by non-resident Turkish workers.
† Excludes up to an estimated $600m of unlicensed imports.
‡ $560m held by non-resident Turkish citizens or maturing after December 31, 1980, and not being rescheduled.
§ Figures for June 30, 1978.
¶ Excludes undisbursed loan of $125m replacing Petrol Ofisi acceptance credit.
Sources: Turkish Central Bank, October report updated by banks.

MEN AND MATTERS

Lucrative look into the past

A rare week has just passed, one in which The Country Diary of an Edwardian Lady has been forced into second place in the hardback bestseller lists, this time not by running out of stock, as happened on two occasions, but by Lauren Bacall.

Since July 10, 1977, it has topped The Bookseller list almost every week—joint publishers Michael Joseph and Webb and Bower, have recently celebrated printing of the millionth copy.

The Country Diary, in its English version, has just gone through its 11th impression, and has been, or is being, translated into languages as unlikely as Japanese, Italian and Danish, a particularly laborious process, since each translation has then to be copied out in copperplate. John Lyons, Michael Joseph's export sales manager, says the book has even made its mark in Australia, where hardbacks are notoriously difficult to sell. "The Australians are the greediest booksellers in the world," he explains. The result is books costing about three times as much as in Britain.

One of the few people who admits he ever had misgivings about the strength of the nostalgia wave—"Two years ago it could just have been a remainder title" — he is now sure that the book will continue to break records for some time.

The small Exeter publishing and book-packaging company, Webb and Bower, became involved when a great-neice of the Edwardian Lady came in with the manuscript. Managing director Richard Webb, who perhaps correctly describes the book as "one of the most successful since the war," is not resting on his laurels. His next publication, he tells me, has a different appeal: a pre-war Dennis Wheatley thriller called Murder Off Miami "which contains real clues in it — real matchsticks, real pieces of hair."

Sense of timing

From Cambridge I hear that the social equivalent of the first cuckoo of spring has already come and gone: the Girton May Ball took place on Friday. Most May Balls are anything but that these days, some extending into June, others becoming earlier and earlier, none being held in May.

But Girton was well ahead of the field: "We hold ours early so we can go to everyone else's," a college spokeswoman told me archly.

Children of God

When not preoccupied with dancing, Cambridge academics enjoy a good quarrel, and Dr. Edward Norman, one of the country's leading Protestant theologians appears to be no exception. He is at present party to a dispute which looks like running for a good week or two, having huffily refused to allow posters advertising a talk by the Roman Catholic writer, Father Herbert McCabe, to be put up in his college, Peterhouse.

Returning the material to its sender, Father Couve de Murville, chaplain to the university's Roman Catholic community, he explained in a covering letter that he was not inclined to display the posters "after Father McCabe's criticisms of my own Reith lectures in the Irish Times, which were characterised by a generous measure of personal abuse."

Assimilated

A certain disenchantment with the cause of Israel seems to have set in with the Rothschilds, at least in the case of Baron Guy who looks set to be ousted from his position as president of France's United Jewish Social Fund following an interview with the spicy Parisian mens' glossy, Lui.

The Baron, a leading member of French Jewry, upset French Jews by saying—according to Lui—that there were no stronger ties between French Jews than between Corsicans, and that he himself felt "nothing" when he visited Israel: "I'm a foreigner. I have rejected the things which imposed a stereotyped pattern of behaviour on the past generation.

The fund's executive Board immediately put out a communique saying there was "an orchestrated campaign" afoot to destroy it; and although the Baron later announced, Schmidt-like, that he had been misquoted, he also hinted he was prepared to give up his job as head of France's major Jewish fund-raising body.

One reason for the baron's reported sentiments could be the financial scandals surrounding the Israel Corporation Limited, an organisation set up in 1968 by Jewish millionaires around the world to help the Israeli economy, which was subsequently chaired by Baron Emund de Rothschild.

The IC's former director-general, Michael Tzur, is now serving 15 years for embezzling company funds: Tibor Rosenbaum, a board member, was last heard of awaiting trial in Switzerland, suspected, *inter alia*, of misappropriating many millions of dollars to shore up his Banque de Credit International.

Safety in numbers

The foreign tourists who have once more flocked to the annual Carnival at Rio, which began yesterday, may be unaware that the famous displays of the city's dozens of Samba Schools come by courtesy of Rio's most respectable racket. The Jogo do Bicho, or Animal Game, is the means whereby luckier punters can win up to £5,000 from a street corner bet on the bull, snake, or parrot drawn by lottery at the end of each day.

The multi-million dollar Jogo do Bicho always pays up, just as Brazil's honestly-dishonest currency black market consistently pays a high rate for dollars, pounds, or francs. With part of the proceeds it funds each of the dozens of Samba schools, subsidizing lavish materials for costumes, hire of rehearsal halls, musicians, and even catering for the participants' treatment for blistered feet, or heat stroke.

No one, it seems, would dream of trying to bust the Jogo do Bicho. It has useful connections in high places. The police are said to turn a blind eye to the street-corner sellers, and in an inflation-ridden society like Brazil, who else, after all, could afford the hundreds of thousands of pounds it costs to pay for Rio's principal tourist attraction?

Old hand

My story last week about octogenarians still at work has provoked a reader to draw attention to the latest issue of The Lady. In the magazine's classified advertisements is the following: "Adaptable lady, late 80s, nice disposition, seeks housekeeping post."

Who said that Harold Macmillan isn't the best prime minister we haven't got?

Observer

FINANCIAL TIMES SURVEY

Monday February 26 1979

Kuwait

The revolution in Iran has reminded the Gulf states of potential dangers. Kuwait's long history as an oil state, its efficient Government and the enormous wealth of its citizens are important safeguards of its stability.

BASIC STATISTICS	
Area	
Population	1.13m
GDP (1976)	KD3.67bn
Trade (1977)	-
Imports	KD1.28bn
Exports	KD2.81bn
Imports from UK	£243m
Exports to UK	£541m
Trade (1978)	
Imports from UK	£332m
Exports to UK	£622m
Currency: Dinar	£1=KD0.55

Maturity brings ordered economy

By James Buxton

A FEW weeks ago there was a demonstration in Kuwait. More than a hundred taxi drivers thronged outside the office of the Prime Minister, Sheikh Saad, protesting about a whole range of things, from low fares to regulations preventing them stopping in the middle of the road and competition from the Kuwaiti equivalent of minicabs.

A delegation finally got in to see the Prime Minister, who referred them briskly to the relevant authorities. The demonstration meanwhile had dispersed—because the taxi drivers saw a couple of police dogs on leads.

With the Gulf states worried about the crisis in Iran and its effects in the region, Kuwaitis use this story to demonstrate two points: first, that Kuwait's rulers are accessible to Kuwaiti citizens; and second, that riots on the scale and effectiveness of those in Iran seem unlikely, to say the least, in Kuwait.

There are two key differences between Iran and the low population states of the Gulf. In a small society like Kuwait it is possible for the indigenous population to make their grievances known to their rulers through a network of family and tribal contacts, helped by an active desire on the part of the rulers to govern by consensus (although this system does not seem to work to the satisfaction of special interest groups like taxi drivers). And there is little danger of a mass of citizens storming the Government's citadels. There simply are not enough people, and what people there are have in Kuwait the highest average incomes in the world.

These are points of reassurance for Sheikh Jaber al Ahmed al Sabah, who has been Emir of Kuwait for just over a year now and the effective power in Kuwait for about a dozen years owing to the declining health of his predecessor Sheikh Sabah. Sheikh Jaber's assumption of full power has brought a period of calmer economic growth after the fierce expansion of the post-1973-74 period. The Finance Minister, Mr. Abdul-Rahman al Atiqi, has brought Government spending under control and the result is a rather more ordered economy in which the relative maturity of Kuwait as an oil state—having lived with enormous wealth since the early 1950s—is more obvious. Kuwait appears for the moment to have struck a reasonable balance between the demands of the current generation and those of future generations, and Sheikh Jaber's strategy appears to satisfy both the merchant families who did so well in the boom and the more technocratic Kuwaitis who have protested against wasteful Government spending and the enormous profits it has permitted one section of Kuwaiti society to make.

Competing

Balancing potentially competing forces appears to be the basic principle of Sheikh Jaber's Government, with the Cabinet containing strong representation of the al-Salem as well as the al-Sabah branch of the ruling Sabah family (the succession alternates between the two). The Crown Prince and Prime Minister, Sheikh Saad al Abdullah, is an al-Salem, and has been helped in the difficult task of carving out a role for himself under a firm and active ruler by Sheikh Jaber's reluctance to travel. Sheikh Saad's trip to the other Gulf states at the end of last year gave him increased prestige. While the fact that almost all the important portfolios in the Government are held by al-Sabahs may gratify the traditionalists in Kuwait, the more technocratic can take comfort from the fact that the holders of these posts have to be qualified for them on grounds of ability.

The Emir of Kuwait, Sheikh Jaber al Ahmed al Sabah, with the Queen during her visit earlier in the month.

Even though there are few obvious parallels between the political situation that led to the revolution in Iran and the scene in the Gulf states there are enough to make Gulf government's aware of their inherent weaknesses, which include their relatively meagre human resources, their valuable but virtually indefensible oil installations, their large immigrant majorities and the envy they inspire in others. Current anxiety in Kuwait is focused on two main groups. First, up to a quarter of the Kuwaiti population are Shiite Moslems, many of them of Iranian origin, and there is thought to be an equivalent number of Shiites among the non-Kuwaiti population. They are far from being a unified group, some of them very rich and others fairly poor. Yet with the current Moslem revival in the Middle East and the fact that Shiites tend to be more emotional Moslems they can exert pressure for a move towards religious purity.

Recent Government hints that it was considering tightening or imposing rules on such things as mixed bathing, women driving after 9 pm and dancing were thought to be partly the result of Shiite pressure, and produced such a furious reaction that the Government denied it had any such intentions — yet the clash of opinion indicated the sensitivity of the issues at stake.

The point about these and other groups of potentially dissident Kuwaitis is that there has been no exhaust valve for their feelings since the Government suspended the National Assembly in August 1976 because it had become unbearably obstructive and cantankerous at a time when tensions were high because of the situation in Lebanon.

The assembly did not represent non-Kuwaitis, and was greedy and self-seeking as far as its own interests were concerned. But it did provide an official forum for political activity. Next summer the prescribed four-year period following the dissolution of the assembly ends, and the Government has to decide in what form it should be reconvened. Suddenly, after years in which almost nothing happened at all, the Government is consulting leading dignitaries, including the speaker of the assembly, about restoring it. Yet there seem to be few clear ideas as to how the assembly can be made more responsible than in the past and yet also satisfy the demand for representation, for the Government is apprehensive about what a vociferous assembly might say. It could well be that the Government will conclude that it is safer to postpone a final decision on the issue of the assembly.

The other main cause of anxiety in Kuwait are the Palestinians, who make up the largest single group in the non-Kuwaiti majority. Kuwaitis are probably justified in feeling insecure when such an articulate group holds so many key posts in the running of the Government, especially when they are treated as second class citizens, with all avenues of political and many of financial advancement blocked to them. Now that the Palestine Liberation Organisation has forged close links with the new Government in Iran, Kuwaitis are even more concerned.

Contentious

Yet as on other contentious political issues it is not clear whether concessions to the Palestinians at this stage would be wise or not. The Government knows that the Palestinians have more to lose in Kuwait than anywhere else. If the Government was to speed up its naturalisation policy (only a handful of Palestinians are naturalised each year) it would imply Kuwaiti resignation to the difficulties of creating a Palestinian state and thousands of Palestinians would have to be naturalised a year in order to have much impact. Faster naturalisation, and the question, mooted in the past six months, of some of the longer-standing immigrants being represented in a newly convened assembly, may be too dangerous issues for Kuwait to cope with at a time of uncertainty.

With internal policy initiatives somewhat unappealing, Kuwait is falling back on its traditional policy of taking a tough line with potential troublemakers, quickly deporting dissident Palestinians and tightening up restrictions on supposedly short-stay Arab visitors. Abroad Kuwait's scope for action is constrained by its limited power to influence events. But its long-standing drive to achieve more co-operation among the different Arab Gulf states has lately been looking more hopeful. Sheikh Saad's trip down the Gulf last December was planned long in advance but came at a good time because of the rising anxiety about Iran. It appears to have produced some firm agreements on exchange of security information and some serious discussion of such ideas as co-operation rather than competition in industrial projects, abolition of passports for Gulf citizens visiting each other's countries, moves towards a common market for each other's manufactured goods and easing of restrictions on property ownership in each other's countries. Underlying this strategy is the feeling that local discontent can be kept well under control if there are fewer white elephant industrial projects (which Kuwait itself has avoided) and fewer violent economic fluctuations. Kuwait signed an agreement with Saudi Arabia in December strengthening political and economic co-operation.

Outside the Gulf Kuwait has established better relations with Iraq, which has never given up claims to Kuwaiti territory. With the mellowing of relations, which appear to be due to Iraq's desire to end its isolation in the Arab world, discussions have been revived on Kuwait exporting electricity to Iraq and drawing water from the Shatt al Arab River in return. A study is being made of a railway from Basra, through Kuwait, to Saudi Arabia.

With its large Palestinian population and its vested interest in unity and stability in the Arab world, Kuwait was disturbed by the speed and lack of consultation of President Sadat's peace initiative and unhappy with the Camp David agreement. At the Baghdad summit last November Kuwait played an unusually active role, in an effort not to divide the Arab world, but this may well have helped Syria and Iraq. The result was an outburst of vindictive criticism of Kuwait from the Egyptian Press, which Kuwait largely ignored. The flow of development aid from Kuwait to Egypt is continuing, and Egypt has been assured that Kuwaiti co-operation with Egypt will not be disturbed.

For all its current uncertainty Kuwait has considerable internal strengths. Its sophistication, based on more than 200 years as a trading city, the last 30 of them blessed with oil wealth, shows through in all its political and financial dealings with others. Its Press is relatively free, its attitude to women advanced by the standards of the region. And it has the special political advantage of being able, without difficulty, to go on making its citizens very rich indeed.

Natural caution, and ample revenue since the 1950s, have minimised the effects of the state's recession, which came in 1977. Tight controls since by the Finance Ministry have prevented the usual upward drift in spending — while the Government tries to catch up on necessary development projects.

The economy

"CONSOLIDATION" IN the *Gulf States is usually a euphemism for deep recession.* Where people talk of consolidation one expects to find streets lined with empty buildings, collapsing property prices, bankruptcies and a mood of self-doubt and *depression. But in Kuwait* consolidation means what it is supposed to mean. Growth in several sectors of the economy has reached a plateau: current projects are being completed and gaps in the infrastructure filled, while Government spending is tightly controlled.

Kuwait's recession came in 1977 and was relatively mild in the standards of the Gulf. With economic activity at a peak in 1976 the Government cut back its allocation for land purchase, one of the main motors of growth in the private sector (and of inflation). As a result real estate valuations dropped by about 20 per cent from their end-1976 peak and there was a 25 per cent fall in share values on the stock exchange, where the Government saw fit to bail out those who had lost money at a cost of no less than KD 160m.

Yet there are few signs now of economic setbacks in Kuwait, though the economy has moved slowly since 1977. The flocks of tower cranes are still at work on construction sites, while the surge of enormous American cars coursing along the three lane highways exudes prosperity. *Construction activity* has reached a plateau, while the tonnage handled at the main port of Shuwaikh was about 500,000 tonnes less than the 4.5m tonnes of the previous year. Lending to industry by the Industrial Bank of Kuwait is no longer increasing rapidly, with some 29 new projects financed last year compared with 46 in 1977, though total commitments in 1978 amounted to KD 26.48m compared with KD 25.87m in 1977. Independent estimates suggest that the inflation rate may have come down to about 10 per cent last year from levels of 20-25 per cent in 1976.

There are several reasons why the effects of the economic cycle have been less drastic in Kuwait than in the smaller Gulf States. Because Kuwait has had ample revenue since the early 1950s there were fewer obvious outlets for large-scale Government spending, such as lavish new ports, after the 1973/1974 oil price rise. From natural caution and from long experience the Kuwaitis' assessment of projects has been shrewder than that of many of their neighbours (Kuwait made most of its mistakes in development in the 1950s and 1960s).

Wealth

So the expansion was rather less spectacular than in Abu Dhabi, Muscat or Dubai, and when the cycle turned down the effects were less dire. Kuwait has a relatively large population by Gulf Standards (about 1.5m), while many indigenous Kuwaitis have enormous accumulated wealth. The private sector's property investments were less dependent on bank finance than in, for example, the UAE, so they could absorb the decline in rents (about 20 per cent across the board) that came with the recession while knowing that with the population growing and land scarce the land on which they built would in the long term rise in value to even more startling levels.

It is because of this wealth that Kuwait is more confident about its prospects and about its ability to manage its own economic affairs than some of its neighbours.

While the bailing out of the stock exchange losers released some liquidity into the economy towards the end of 1977 and enabled those Kuwaitis who were affected to pay off their loans to their banks, business confidence was affected by the market setback, while merchants stocks' were high from 1977 so that imports dropped.

The virtual eradication of port congestion in other Gulf ports appears to have affected Kuwait's entrepot trade, which was the mainspring of the economy before oil was discovered and is still an important sector. Whereas expansion of credit was 84 per cent in 1976, the figure for 1977 was 27 per cent and for 1978 only 15 per cent in the first nine months.

Share values on the stock exchange did however rise by 35 per cent last year, led up by the banks with their big cash balances. The Government has therefore made a gain on many of the shares it bought in, putting it in the unusual *position of profiting* at the expense of Kuwaitis rather than the other way round.

Decisive

Nevertheless, though the Kuwaiti private sector is probably more self-sustaining than it is in other Gulf States the decisive force in the economy is the Government's fiscal policy, and just as the 1977-78 budget, with its cut in land purchase allocations, helped knock the property and stock exchange boom on the head, so the 1978-79 budget had a dispiriting effect on the economy since it entailed a 2.3 per cent cut in total spending —a substantially larger cut when inflation is taken into account.

The budget announcement by the Finance Minister, Mr. Abdul Rahman al Atiqi, included some tough regulations to make sure that Ministries kept to their budgets, spent money for the purpose for which it was destined and did not in most circumstances sign contracts with a duration of more than a year. His policy at the Finance Ministry has been to curb spending in order to reduce inflation and cut waste. His tighter controls seem to have been quite effective in preventing the usual upward drift of spending in the second half of the financial year so that in the second half of 1977-78 spending was only 11 per cent more than the first half, compared with a figure of 46 per cent in 1976-77.

The curbs on spending are the result of official concern at the trend of fast rising spending and diminishing surpluses. The combined total of ordinary, development and property acquisition spending has risen from KD 536.7m in 1973-74 to KD 1.375bn in 1976-77 and KD 1.538bn in 1977-78. The Government's surplus revenue after all expenditure and a KD 50m contribution to the capital of the Kuwait Fund for Arab Economic Development totalled KD 1.279bn in 1976-77 —considerably less than the KD 2.92bn recorded in the previous 15-month financial year. (*Of this surplus some* KD 270m went automatically into the Reserve Fund for Future Generations while the rest went into the State General Reserve).

The combined total of the *two reserve funds which is the* State's surplus was down to KD 971m in 1977-78 because of increased spending and slightly reduced income. For 1978-79 revenue has been projected at KD 2.301bn and a surplus of KD 310m is *forecast,* slightly more than the KD 284m projected for 1977-78 against an outturn nearly three and a half times as big. Whatever happens to expenditure, however, revenue is certain to be considerably higher than the estimates, which not only have consistently understated the oil revenue but in this financial year have not taken into account the OPEC oil price rise for 1979 and Kuwait's increased oil output because of the shutdown of Iran's production.

These figures do not include income from investment which in 1976-77 was KD 329m and in 1977-78 KD 387.5m, amounting to 16 per cent of oil revenue in 1977-78. But even if one *includes investment income the* surplus at the State's disposal is growing less rapidly than in the first years after the oil price rise.

While recurrent expenditure jumped spectacularly from KD 438.4m in 1973-74 to KD 821.5m in the following financial year, it has risen less steeply since. On the other hand actual development spending has shown a swift rise from KD 128.7m in 1974-75 up to KD 480.1m in 1977-78. In the past two years *it* has considerably exceeded budget allocations, while for the current financial year the allocation of KD 390m for development is less than the actual development spending of the previous year, and seems certain to be exceeded as spending on some individual projects reaches a peak.

The rise in development spending does not mean spending on prestige projects: it reflects the enormous need to provide services for the population, growing at an annual rate of about 5.5 per cent by natural causes and immigration.

Co-ordinate

Roads, housing, health, electricity supplies and water have not kept up with the growth of population over the past five years, but the Government is working hard to catch up, and hence the two largest allocations in the development budget, together making up 85 per cent, are to the Ministry of Public Works and to the Ministry of Electricity and Water. The Government has no less than six hospitals simultaneously at various stages of construction and a very big housing programme run by the National Housing Authority. It seems inevitable that the trend will be towards higher development spending over the next 15-20 years to keep pace with population growth, whatever strategy is adopted on industrial development.

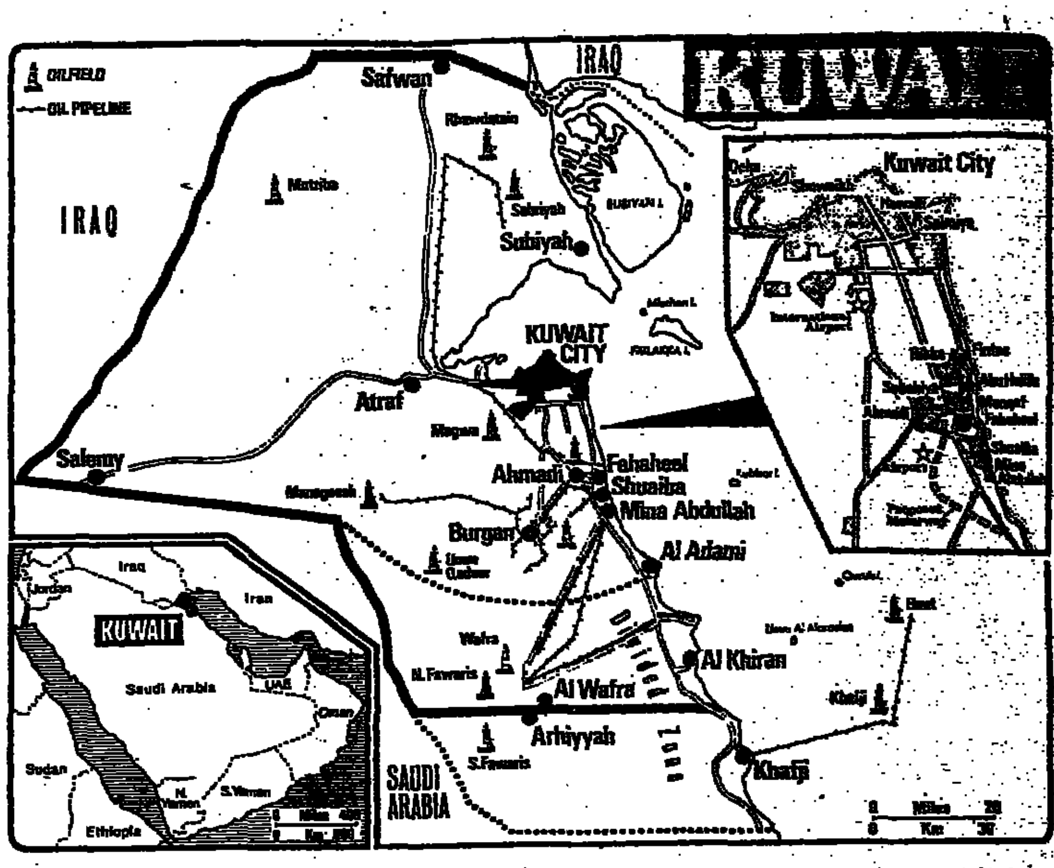
While the Finance Ministry is sternly using fiscal policy to keep the money supply under control the Central Bank has gradually been developing money supply control instruments and is now co-ordinating its policy more closely with that of the Finance Ministry: past lack of co-operation was one reason for high inflation rates. The latest step is the introduction, now imminent, of Central Bank bills, akin to UK Treasury Bills, which will be issued for 91 days and will provide an outlet for banks' surplus funds. The Central Bank does not need the money and the move is purely a contribution to monetary stability.

It was announced at the same time as measures were taken to restrict deposits by Kuwaiti banks with the Offshore Banking Units in Bahrain. As Mr. Hamza Abbas Hussein, the governor of the Central Bank, says: "For the first time monetary policy is becoming an important element in regulating the economy."

It remains to be seen whether the higher revenue that the current oil supply situation will bring Kuwait will be used to allow a resumption of sharply rising spending. Those who have invested in property which is shortly to be completed and will probably overhang a market saturated in some sectors would certainly like to see this happen, as would those whose trade has been hit by the turmoil in Iran.

But with growing concern about the size of the non-Kuwaiti population, and the conservatism of those directing the economy, it seems more likely that the current phase of consolidation will continue. Development spending will increase anyway to keep pace with the population, but the expansion of the economy in the past five years should enable future growth to be achieved with much less domestic inflation.

James Buxton



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So far Kuwait's Government has been reluctant to commit itself to a comprehensive development strategy, being content to rely on short-term planning while setting aside funds for the future in the Reserve Fund for Future Generations. This policy has been questioned in a recent book on the country's economy.

Development plans

KUWAIT AVOIDED some of the worst strains of economic expansion immediately after the 1973-74 oil price rise because it had a broader-based economy than its neighbours in the Gulf. But broad-based growth can produce bigger problems than a few bottlenecks.

The population increase accelerated and Kuwait can now barely cope with it. For example, the traffic in Kuwait, both in the city centre itself and on the journey in from the extensive suburbs, is often appalling at peak times. Then, schools are overcrowded and standards are in many cases low, forcing parents into the expensive private sector; health facilities are overstretched; and, as Leslie Mitchell describes in another article, the Government is having serious problems fulfilling its commitment to provide housing for middle and lower income Kuwaitis, so that as waiting lists lengthen they must rent property from highly commercial Kuwaiti landlords.

The result is that development spending is rising fast every year and will go on expanding as the population grows over the next 15-20 years. The current population, based on the 1975 census, is put at 1.3m, though an authoritative survey has put it at 1.45m in 1977. Even taking the lower estimate the current growth rates of about 5.5 per cent a year suggest that the population will reach 2.76m by the year 2000. That has serious implication for physical planning too. Already almost the whole population is concentrated into a long sprawling conurbation stretching north from the centre of Kuwait round part of the Kuwait Bay and south almost uninterrupted to the oil town of Ahmadi. A recent review by the British consultants Shankland Cox of the original master plant for Kuwait drawn up in the 1960s by *Colin Buchanan and Partners* concludes that metropolitan Kuwait can only hold 1.5m people.

The review, which has been adopted by the municipality, the urban planning authority, sees a partial solution to this problem in the creation of a new urban centre at Fintas, about half-way between Kuwait City and Ahmadi. But that will not be enough: the next stage, which the planners think should be developed soon, is to build a completely new town sufficiently far from the existing centre that it doesn't become a dormitory town for Kuwait. The two sites proposed are Subiya, about 100 km away round the Bay to the north of Kuwait, and Khor al Mufata to the south. Of the two sites the planners think Subiya has the slight advantage, partly because it takes the development of Kuwait in a new direction (and incidentally towards the Iraqi border) rather than to the south, the traditional direction. But to make the new town a success (it is envisaged that it will have to accommodate about 500,000 people by the end of the century). The Government will have to make civil service departments, businesses and industry move there, which could be difficult.

Peninsula

The reason there is little room for expansion in the existing conurbation is mainly because Kuwait City is built on a peninsula. The planning consultants are particularly concerned about the ellipse-shaped city centre itself, which stands on the point. Almost all the old buildings there were destroyed by conscious decision of the Government in the 1950s and 1960s as part of a programme aimed at putting wealth into the hands of Kuwaitis by means of land purchase. New roads were installed and development got under way. The centre is now a very curious urban phenomenon. Some fine buildings have been put up and more are under construction; yet a lot of it consists of open spaces waiting to be developed, so as one shuffles through the sand—the pavements are intermittent—the prevalent impression in almost all districts is of wasteland and car park.

In fact, however, the high cost of land has forced property owners to propose—and the Government to permit—very high site utilisation rates (that is, tall, densely occupied buildings), which means that even with large areas undeveloped the number of people living and working in the centre is already approaching the levels that Buchanan projected for 2000 AD; by then, it is now reckoned, the city centre will provide 182,000 jobs and homes for 117,000 people, against the planned figures of 95,000 and 80,000, respectively. It now looks as if it will be necessary to restrain the development of the city centre, which will cause pain to property owners and speculators, if Kuwait City is *not to become impossible to* live in.

The fast growth of Kuwait in the past five years has caused very quick growth of the non-Kuwaiti population. Kuwaitis have been a minority in their own country since about 1960, and to preserve the relative size of the Kuwaiti population—now said officially to be 47 per cent—Kuwait naturalised large numbers of Bedouin tribesmen on the fringe of the State (plus a relative handful of long-standing immigrants from other States). But the number of Bedouin who can still be naturalised is now rather small and given the Kuwaiti reluctance to naturalise non-Bedouin residents, Kuwaitis can only maintain their proportion of the population by slowing down economic growth and reducing the need for *immigration*.

But even for the Kuwaiti population to become a majority by 2000 (assuming that the breakdown of the 1975 figures is correct, which many people doubt) some continued non-Kuwaiti immigration would be needed. For as the Kuwaiti population rises, due mainly to natural increase, to the projected 1.44m by the year 2000, new jobs for non-Kuwaitis will be created in the service sector. But in the longer run there will be a larger potential labour force of Kuwaitis and possibly a greater readiness of Kuwaitis to hold jobs—at the expense of non-Kuwaitis. The Shankland Cox projections show that some net emigration by non-Kuwaitis taking place by the end of the century, resulting in Kuwaitis making up 52 per cent of the population.

The delicate planning and the relatively restrained rates of growth which would be needed to bring the Kuwaitis back into the majority in their own state emphasises the planning dilemma Kuwait faces. There is growing concern in some ministries and Government departments that there is no official policy on population which could be used as a yardstick in other fields.

Reduce

Yet the question of how Kuwait should develop is constantly on the minds of many senior Kuwaitis. The Minister of Finance, Mr. Abdul Rahman al Atiqi, is known to be keen to reduce waste and extravagance in the economy, and is considering the idea of introducing some form of taxation—an idea many Kuwaiti technocrats find attractive. It already has forerunners in the form of "voluntary" contributions that Kuwaiti companies make to special state funds. Taxation is likely to be on companies, not on individuals, but innocuous as it may sound to Europeans, this would be a major change in the relationship between the Kuwaiti citizen and the state, for until now the state always has been the benefactor, never the beneficiary, of the citizen.

The future of industry is an important question in Kuwait. Outside the oil sector, which made up 70 per cent of GDP in 1975-76, the economy is still predominantly based on services. But since 1973-74 there has been more emphasis on industrial development, previously given low priority because of government reluctance to encourage excessive immigration and because of uncertain market prospects. The only large-scale industries were the two refineries, the fertiliser plant and, in the private sector, a number of companies such as the Kuwait Metal Pipe Company which met local demand and produced a surplus for export.

Though the Government decided not to build a steelworks or an additionary refinery, it decided to allow the private sector to expand its range of industries, reflecting such factors as the need for more investment outlets and the growth of the domestic and regional market, to sites that made industry potentially economic—provided capital was at concessionary rates and inputs such as water and electricity were supplied at well below cost.

Since the Industrial Bank of Kuwait was founded in 1974 it has backed 114 industrial projects mainly engaged in producing construction materials and other manufactured goods. The public sector has built a natural gas liquids plant, now *in operation. But the rate of* growth of IBK commitments has eased, reflecting the feeling that there may not be much more room in the market, the consolidation of the economy and uncertainty about future population trends.

Economic development in an oil state is a matter of balancing the needs of present and future generations. The dilemma boils down to questions of the rate at which oil should be extracted, the rate at which the economy should grow and the form economic development should take. After 30 years of juggling with these factors Kuwait can claim some success. It has brought oil production down from higher levels to an average of 2m barrels per day, which still provides a considerable, if declining financial surplus which can be invested for future generations. A system has been created that has greatly enriched the present generation of *Kuwaitis, giving them* a highly comprehensive welfare state, even if income distribution among Kuwaitis let alone non-Kuwaitis, is rather less equitable than it is cracked up to be.

Reluctance

Yet the fact that there is no official and clearly stated population policy is symptomatic of the Government's reluctance to commit itself to any comprehensive development strategy. The two development plans produced in Kuwait in the past decade have not been strictly adhered to or even officially adopted. A new and informative book on the Kuwaiti economy by Dr. Mohamad Khouja and Professor Peter Sadler* points to the lack of co-ordination between different Government agencies in industrial development, and the authors write: "A policy of industrialisation and diversification will have important consequences for the size and structure of the future population, and yet any decision on the desired size and structure of the future population has equally important implications for industrialisation and diversification."

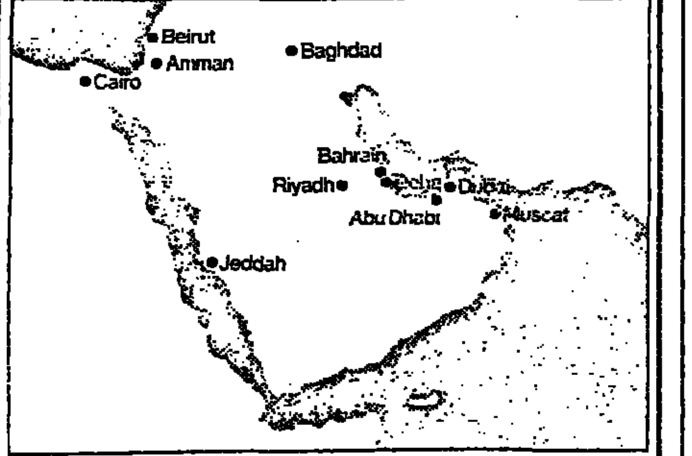
In arguing for a more comprehensive planning strategy, Khouja and Sadler assert that in oil states such as Kuwait oil is the main source of capital. In choosing a development strategy such states have to make sure that if they produce more oil than they need for their development requirements they have sufficient funds to transform into physical capital as the country's development strategy proceeds (which is what is happening in Kuwait now) and to ensure that the value of investments is safeguared for future generations. A country like Kuwait can choose its "desired end state" with rather more freedom than most countries and can take a much longer view in planning, they say. But they argue that there is a case for more detailed study of specific policy options, especially in downstream hydrocarbon-based industry, to assess the possible benefits of specific projects and obtain the best possible use of resources.

They imply that there is a tendency in Kuwait for the Government, conscious of the long life of its oil reserves (at least 70 years at current depletion rates) to set aside resources for the future without having any clear idea of how they should be deployed. For example, they say of the Reserve Fund for Future Generations, which takes 10 per cent of government revenue and cannot be drawn on for at least 25 years: "While the concept of a reserve for future generations may seem laudable it is difficult to envisage its practical significance. As main*tained earlier, the whole of the* capital of states such as Kuwait needs to be deployed in a manner which will sustain national growth into and during the non-oil period. It is not a question of setting some of the present income aside for the future, but rather of ensuring that the future and present are integrated in a way that national growth throughout the whole period is maximised."

Many prominent Kuwaitis argue that a detailed long-term development strategy is not feasible because of the unpredictability of the world economy, and is not necessary because Kuwait has ample time to arrange for its future without oil. A better strategy, they say, is to live as best one can with the existing world economic circumstances while setting some money aside for the future as a kind of pension fund. Sheikh Ali Khalifa al Sabah, the Oil Minister, says: "We don't need a comprehensive 100-year plan. We only have the resources to study and implement a few projects at a time. Other countries don't plan years and years ahead. Why should we?"

* "The Economy of Kuwait: Development and Role in International Finance" by M. W. Khouja and P. G. Sadler. Macmillan. £7.95.

J.B.



Kuwait's financial sector has emerged as the second biggest wheel in the economy after the country's primary resource — oil and gas. Development has been largely empirical, however, and one of the major questions to be resolved is how far the authorities are ready to allow the capital market a truly international role.

The capital market

IT IS now ten years since the World Bank placed the first Kuwaiti dinar bonds privately through the Kuwait Investment Company (KIC). The first publicly quoted international bond issue was launched in 1974 by the Kuwait International Investment Company (KIIC). Since then the Kuwait bond market has proceeded to grow steadily—but with a quantum jump in the scale of business last year.

Kuwait's investment houses have been able to increase the size, lengthen the maturities and in some cases reduce the cost of publicly quoted dinar issues during 1978. They were able to do this because of the growth of the secondary market within Kuwait and because the trials of the dollar showed up the stability of the dinar. New issues during 1978 totalled KD 154m ($562m), 18 were public issues and three, valued at KD 32m ($117m) were for local companies.

But the increased scale of business brings into sharper focus the question that has always hung over the development of Kuwait as a capital market. To what extent does the Kuwait Government wish to see the dinar become international?

Allied to this are a number of subsidiary questions that must in due course be answered. Is the Kuwaiti economy big enough to support an international dinar? Does Kuwait have an adequate legal framework within which a financial centre could grow? How far does Kuwait wish to open its capital market to the outside world? And so on.

Finance is now Kuwait's second major resource and, as with oil and gas, the State will have to decide how far downstream it wants to go itself.

The major breakthrough in 1978 in the bond market was the arrival of two first-class borrowers (a third was mooted but has not yet materialised). They were Finnish Export Credit and the City of Oslo. The first of the borrowers, Finnish Export Credit, came in at 7¼ per cent on KD 7m ($25.5m) for five years. The City of Oslo (lead managers KIIC, Merrill Lynch and Norse Securities) borrowed KD 10m ($36m) for 12 years at 7¾ per cent.

A second step forward has been in the size of borrowings. The first five months of last year saw only one issue at KD 5m ($18m) which had been the norm in previous years. The largest issue was for the Algerian State hydrocarbons company, Sonatrach (Algerian institutions have borrowed through Kuwait before) which borrowed KD 12m ($44m) for a period of 12 years—the longest maturity to date—at 8½ per cent.

Vested

The international reasons for the attractiveness of the Kuwaiti dinar market last year were principally the instability and high cost of the dollar. Kuwait has a vested interest in the stability of its currency as the years of capital surplus have led to extensive government, institutional and private investments abroad, principally in New York and London—and also for the borrowers of KD, few of whom have KD incomes. The total foreign assets of the Kuwaiti commercial banks for example, at the end of September last year stood at $3.4bn alone. The dinar is valued against an unspecified but trade-related basket of currencies in which the dollar is thought to be the dominant element. (Working out the constituents of the basket is a quiet weekend pastime for bankers in Kuwait.)

The existence of medium-term dinar Certificates of Deposit has effectively flattened the yield curve on Kuwaiti deposits, which in turn has passed through into the bond market, according to a KIIC manager. Kuwaiti banks have always found it difficult to obtain medium and long-term deposits and even the change in the interest rate levels in 1977 has not really corrected the imbalance. In 1977 when the Gulf Bank decided to issue the first dinar CD's, the deposit maturity base was averaging about four to five months.

The Gulf Bank CDs were preceded by the creation of a market-maker: the Arab Company for Trading in Securities, ACTS. It had an eminently satisfactory year during 1978, its first full year of trading. ACTS is a joint venture between the Industrial Bank of Kuwait (35 per cent) and KIIC (65 per cent). This year, KIC has decided to step up its own secondary market operations and it has been reported that the Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) will do likewise. (ACTS is declaring a profit for 1978 of KD 200,000 but there is well-founded local suspicion that profits were higher.)

Its turnover puts the Kuwait Stock Exchange among the largest in the world, but the atmosphere is still largely that of a businessmen's club rather than a professional market

The existence of a market-maker was essential to the success of the CD market which had outstandings of around KD 75m ($274m) at the end of April 1978. As the various commercial banks in Kuwait, and the Industrial and Real Estate Banks of Kuwait, launched their CD's there was much optimism over their future as a tradeable security. But, in spite of a constantly positive yield curve and the enthusiastic activities of ACTS, trading has been slow to develop.

Lack

The main reason for this is the lack of easily marketable investment media in Gulf currencies, leading purchasers to regard CDs as term investments rather than the money market instruments they are in the West. Both in Kuwait and in the Bahrain offshore market, where the European-Arab Bank has been dealing in Kuwaiti dinar CDs since the autumn of last year, there is a feeling of some disappointment.

A secondary reason is that for many of the intended buyers, institutions and companies with money on short-term deposit with their local banks, the CD is too sophisticated a concept. Even the biggest of the Gulf trading houses, for example, is still more likely to have a group accountant in charge of its finances rather than the American-style corporate treasurer. And the funding of State pension schemes has only just begun.

In the coming year ACTS intends to set about an aggressive marketing campaign to explain both the Kuwaiti dinar bond and CD markets. It comments that an increasing amount of interest is being shown by respectable Near and Far East financial institutions which it wishes to encourage. But the more immediate target for an educational campaign are those in charge of funds in the Gulf itself. A good three quarters of ACTS business is with the smaller Gulf States and Saudi Arabia—mainly institutional business. A genuine inflow of investment money—as opposed to money seeking a temporary alternative to the dollar—would probably spark off a further increase in dinar bond business this year, ACTS believes.

There are signs that in financial matters the Kuwaiti private sector business is getting more sophisticated. In the course of last year KIIC placed two new-to-Kuwait corporate debt instruments in the market. The first was KD 5.5m ($20m) of promissory notes on behalf of Yousuf Al Ghanim, the General Motors agent, which were placed in three tranches. The second was $37m of floating rate credits for a real estate company, Salhia, which was placed at 2 per cent over the Kuwaiti inter-bank rate. As the scale of Kuwaiti private sector business grows, so more sophisticated debt instrument will be needed. The number of syndicated credits by Kuwaiti commercial banks alone has also increased considerably.

Some people in Kuwaiti financial circles argue that some companies in the Kuwaiti private sector are becoming over-geared and that attention and effort should be drawn to this area. "The Kuwait Stock market should become a source of equity financing," suggests one investment banker. At the moment the Kuwait Stock Exchange—which is the only one in the Gulf—largely provides Kuwaiti private citizens with an outlet for their speculative instincts rather than Kuwaiti companies with a source of additional capital.

Turnover on the stock exchange last year touched KD 1.4bn ($5bn) in only 36 listed stocks. This would seem to indicate that there is a lot of money chasing too few investment possibilities. Bonus issues are what the Kuwaiti stockholder is interested in and at year end there is always feverish activity in bank and other stocks, attempting to anticipate which will come up with the best scrip issue.

There is talk in Kuwait about broadening the stock market. Sheikh Saad, the Kuwaiti Prime Minister, is known to be keen on this. Opening the market to listings by other Arab joint stock companies, and trading by other Arab nationals, is fraught with practical pitfalls. It would be easier initially to increase the number of Kuwaiti companies listed but this is difficult with the present state of Kuwaiti regulations on the subject. And there is no good reason for the private closed companies to go "public" in Kuwait.

The Kuwait Stock Exchange is gradually assuming a formal shape but as yet it lacks legal entity. There are 16 operational brokers who act rather more like jobbers than brokers in the British sense. Settlements are on a client-to-client basis with buyer and seller knowing each other before the transaction takes place. The exchange is still very much a rich Kuwaiti's hobby so it would be difficult for buyers and sellers not to know each other. Certain people will not deal with each other for reasons lost in antiquity).

Once the exchance acquires a formal constitution Kuwaiti dinar bonds can be listed and quoted—and publicised more wiely within Kuwait. Both ACTS and the stock market publish weekly reports of their activities and the market is hoping to publish nightly after the main news on television. Such publicity, once the bonds are listed, will be of great help to ACTS, which intends this year to make a determined pitch for individual investors.

As the Kuwaiti stock market is only open to Kuwaitis, foreigners resident in Kuwait have no outlet for their savings other than gold, the bank savings accounts or remmittances home. They can, however, invest in Kuwaiti bonds and CDs, and ACTS is even willing to "unitise" these for investors who have not the minimum amount necessary to buy a single bond or the smallest CD. ACTS already has about 200 individual accounts and the advent of computerisation this year will enable it to handle more. The activities of TOS have made it impossible, at present, to form mutual funds based on Kuwaiti equities, though some investment managers would like to do so.

The development of Kuwait as a capital market is taking place on three inter-related levels, local, regional and international. The three major investment houses (the three Ks), the Industrial Bank of Kuwait and the numerous small investment advisory companies are gradually increasing the sophistication of the local market and they will soon have to start exercising their ingenuity to satisfy the needs of Kuwait's new pension fund.

On a regional level, Kuwait is a provider of capital through its aid agencies on a non-commercial basis. In the commercial field, in addition to individual, institutional and private investment, there is the Kuwait Real Estate Investment Consortium (KREIC) which is now handling around $375m of equity with slightly more than half coming from Kuwait. KREIC is used as a vehicle for overseas investment by a number of Kuwaiti investment companies, real estate companies and the Ministry of Finance. It concentrates primarily on the Arab world but is finding this rather small.

Pool

As an international capital market Kuwait cannot really develop faster than on the other two levels. The Kuwaiti sector of the Eurobond market may now be bigger than the Dutch guilder market (so claims one investment banker) but there is still a very small pool of KDs outside Kuwait. Estimates suggest only about KD 250m ($912m) is outside the State. The growth of the Public Institute for Social Security, with its large dinar income and dinar liabilities, will have an important effect on the KD securities market in the coming years. "It will be more important than the Ministry of Finance," commented one hopeful banker. "It has dinars, the Ministry of Finance only has dollars."

However, it will be many years before the State, with its $9bn of oil income and steady surpluses, is eclipsed as a provider of funds. The goodwill and active encouragement of the Kuwait Government is vital to the development of Kuwait as a capital market—which means an answer is needed to the question: Just how far does Kuwait wish to develop towards an international capital market? It will probably never be answered categorically so that progress will depend on the skills and persuasiveness of the financial community in Kuwait.

Doina Thomas

The issue of bank credit cards and bills to mop up liquidity will make Kuwait's banking system more flexible and sophisticated. However, the pattern of bank credit has changed little since 1973 — only the financial sector seems to have increased its share of the total.

Banking

THE KUWAITI banking system is soon to take two steps towards further sophistication and flexibility: the first bank credit cards are to be launched and the Central Bank is to issue Central Bank bills to mop up liquidity.

Two of Kuwait's bigger commercial banks are introducing credit cards in the spring. The Gulf Bank will present its "Gulfcard," which is to be linked into the Access/Mastercharge system. The Commercial Bank is in the final stages of joining the Visa credit card chain. For both banks the interest they can charge their customers will be limited by the Central Bank's overall guidelines on interest rates, which has set the ceiling at 10 per cent. While the cards will be marketed as a facility for individual customers, they will also be a means of introduction to the commercial companies that agree to accept the card.

There is a definite need for a Gulf-based credit card, not only for use in the Gulf States. The international credit cards, such as American Express and Diners Club, are spreading only slowly outside the major hotel chains and some of the more adventurous jewellers in the Gulf. A card backed by an immediately visible local bank may be easier to introduce. Gulf residents travelling outside the Gulf need not carry so much foreign currency with them. Attempting to change Gulf currencies in Europe dinars, dirhams or riyals, is amusing rather than practical.

The banks also feel they need the new Central Bank Bills which are to be introduced this month. The bills are in effect a service by the Central Bank to the commercial banks and to the banking system as a whole —neither the Government nor the monetary authority needs the money, which will naturally have to be paid for. Starting this month, if the last technical details are sorted out, the Central Bank will issue the Central Bank Bills (CBBs) on a fixed day every week. The Bills will be issued for a period of 91 days and will be sold on a discount basis at a fixed price for each tranche issued. The size of the tranche and the interest rate will be determined on the Central Bank's judgment of market needs. Bills will be available in different denominations ranging from KD 50,000 ($182,000 to KD 1m ($3.6m).

Initially the bills are intended only for the Kuwaiti commercial banks, but it is planned that later the Kuwaiti investment companies will be permitted to buy and deal in the bills and so establish a secondary market for them. The Central Bank says the bills will serve primarily as an investment outlet for statutory and excess liquidity in the Kuwaiti banking system. The reserve requirements for Kuwaiti banks were changed in April last year (in response to pressure from the banks) from a flat rate of 25 per cent to a set of ratios related to different maturities, ranging from 35 per cent for demand deposits to zero per cent for time deposits of over a year.

The definition of liquid assets is fairly tight: certificates of deposit, for example, only count towards reserve requirements when they have a month or less to run, even though there is an active secondary market. Recently it was decided that money placed with banks outside Kuwait (primarily the offshore banking units—OBUs—in Bahrain) for a month would not count towards the reserve requirements. Before the creation of the CBB's, the Central bank offered "savings" accounts on a one, two, or three-month basis at ½ per cent over normal savings account rate, which counted towards the reserve requirements, but these were found to be insufficiently flexible.

Towards the second quarter of last year the Central Bank introduced a dollar/dinar swap facility so that the banks could bring short-term dinars into the market when needed (or the reverse) without the usual foreign exchange risks. Commercial banks can also borrow from the Central Bank against certain specific securities, providing the term and amount of the borrowing is less than that of the accepted security or deposit.

The controls on borrowing and lending rates, on top of the reserve requirements, have occasionally hindered the expansion of banking business for the Kuwaiti banks. They find themselves limited in bidding for deposits (though much less so than in 1977) or attracting good borrowers in a market where lending opportunities are at present few. These restrictions cannot be applied to banks outside Kuwait such as the OBUs in Bahrain with whom the Kuwaiti banks find themselves competing. One commercial banker observed: "It is galling to find an OBU can lend cheaper in Kuwaiti dinars to a Kuwaiti borrower than we can."

Determination

The simplest answer would be, of course, to join the offshore banking community in Bahrain. The National Commercial Bank of Saudi Arabia, the largest Saudi commercial bank, has done just this as it faced similar restrictions in its home market. The NCB is taking three floors in a grand new office building, which indicates some determination to take full advantage of the opportunities. The United Bank of Kuwait, a London institution, already has a small unit in Bahrain.

Not that Kuwaiti dinar business is all that easy for the OBUs in Bahrain—and as a proportion of their Gulf currency business it is now completely overshadowed by the Saudi Riyal because the sole source of Kuwaiti dinars is Kuwait, which only has to restrict the supply to put a stranglehold on all the KD business. This is what happened just before the turn of the year, and the cost of overnight KDs went well into double figures, which will have affected —though temporarily— those Kuwaiti companies which borrowed in the Bahrain offshore market at a fixed rate over interbank rates. "But the interbank market would hardly exist without the OBUs" confessed one Kuwaiti banker.

The niggles that exist between the infant Bahrain offshore market and the infant Kuwaiti financial centre will, doubtless, settle into a more adult relationship in time. It must have been exasperating for Kuwaiti banks to be faced with competition in the lending market just as the market was turning down. The Bahrain offshore market was created in 1975, but was not genuinely in business until the end of 1976. In 1975 bank credit in Kuwait grew by 35 per cent, in 1976 by 83 per cent—but by 1977 when a fully fledged Bahrain market was present the rate of expansion had dropped to 27 per cent. The first three quarters of last year, compared to the same period of 1977, saw only a 15 per cent growth in loan business.

At fraught times, bankers in both states tend to see any move by the Kuwait Central Bank or by the Kuwaiti banks as "defending" the Kuwaiti market against outsiders. "Lending by the OBU's has worrying possibilities" reflected a Kuwaiti banker, "and we may have to ask whether we should keep our market open or close it." Whether this is technically feasible is arguable. But Kuwait has one problem which is unique to a developing financial market, and that is that it is built on a capital surplus—the New York and London markets are based on debt—and it has to use accepted debt instruments in this novel situation.

Nor is competition restricted to the Bahrain offshore banks. A new wholly Kuwaiti commercial bank started in business in April 1977, the Burgan bank, shortly followed by a branch of the jointly owned Bank of Bahrain and Kuwait. (Competition from BBK, however, is restricted in that it is not permitted to set up a branch network.) BBK was followed by the creation of Kuwait Finance House, a joint Government/private sector bank to be run on Islamic principles — without charging interest.

Overall the commercial banks see 1978 as a static year, although individual banks have done well. The National Bank of Kuwait, the oldest indigenous bank, has a billion dinar ($3.6bn) balance sheet for the first time and has seen growth of 23 per cent generally with a profit increase nearer two fifths to KD 62.7m ($229m). The Commercial Bank claims an increase in general business of around 24 per cent and to be just short of that billion dinar asset position at KD 910m ($3.3bn).

However, the pattern of bank credit in Kuwait has not changed much since 1973—only the financial sector seems to have increased its share of the total from 18 per cent in 1973 to 22 per cent at the end of the first nine months of last year. This is probably a reflection of the number of small financial advisory companies that have been set up. Borrowings by traders have remained at a steady 30 per cent of total lending, which reached $4.4bn at the end of September 1978. Nor has the construction industry dominated the lending picture as it has in the other Gulf states; it has stayed at about a fifth of the total since 1973.

But then Kuwait has more specialist banks than the other Gulf countries. There is the Kuwait Real Estate Bank, which has a management contract with Bank of America, whose function is to grant loans against the security of real estate for property development and other purposes. There is a specialist mortgage type bank, the Savings and Credit Bank which is backed by the Ministry of Finance, whose sole function is to provide loans to Kuwaitis for projects concerned with real estate, industry, agriculture or the more vaguely defined "social" reasons. There is also a host of small advisory financial companies.

One specialised bank which has had a strong impact on the Kuwaiti market is the Industrial Bank of Kuwait, which has just completed its fourth year of operations. The bank's primary function is to assist in the development of Kuwaiti industry by loans, equity participation and project creating and financing; but it is also intended that it should help to develop the financial market in Kuwait. IBK, which is jointly owned by the Kuwaiti government, Kuwaiti banks and leading Kuwaiti industries, is a co-founder of the Arab Company for Trading in Securities (ACTS), and issues tap Certificate of Deposit with maturities ranging from three months to three years.

In the past four years the bank has financed 114 projects with a total investment value of KD 191m ($697m) of which it supplied KD 90m ($328m) itself. Initially there was a strong emphasis on construction materials projects but now the bank believes the local market for these has reached saturation point. In the past year there has been an increase in the food products sector, which now account for 30 per cent of IBK commitments as compared to just over 12 per cent in 1977. The bank believes that Kuwaitis are now getting interested in industrial projects as the real estate development business, too, has reached saturation point.

Kuwaiti banking is changing gradually from the rather laizzez-faire British pattern to the more stringent American concept. Many Kuwaiti companies are financed on a simple overdraft basis, but there is a slow shift to more specific term lending instead. Branch banking is well developed in the state—the National Bank of Kuwait now has 35 branches (all on-line) and Commercial Bank is moving up fast with 28 branches. Computerisation is proceeding apace.

The commercial banks are also becoming more closely involved with the Kuwaiti "merchant" banks, particularly since the launch of the first certificates of deposit by the Gulf Bank in late 1977. "We were invited in on 245 bond issues during last year compared to 12 the year before," points out a National Bank manager. Also a growing proportion of the commercial banks have customers whose borrowings cannot be financed by one bank alone (the Central Bank rules again) and have to join up to offer syndicated credits.

The last word, of course, should come from a customer. "I think that at long last the Kuwait commercial banks have forgotten the boom years of 1974/75/76," said one businessman. He was echoed by a Kuwait banker who reflected "this coming year will see the beginning of real competition amongst the banks in Kuwait."

Doina Thomas

COMMERCIAL BANKS CONSOLIDATED STATEMENT, KDm*

	1974	1975	1976	1977	1978†
ASSETS					
Cash	5.3	6.1	7.9	10.4	14.0
Balances with Central Bank	52.7	61.1	84.5	260.6	180.2
Foreign assets	561.4	614.4	674.9	822.4	940.0
Claims on private sector	361.9	506.7	934.3	1,242.3	1,355.1
Other assets	56.4	112.4	137.4	260.0	282.5
LIABILITIES					
Demand deposits	117.9	188.6	264.7	339.7	416.2
Quasi-money‡	521.0	600.9	826.5	1,078.1	1,196.4
Government deposits	73.2	87.3	71.0	114.9	71.1
Foreign liabilities	143.4	169.0	324.1	419.8	370.4
Capital and reserves	51.0	63.8	89.2	198.4	197.2
Other liabilities	131.1	191.1	263.5	445.8	520.5
TOTAL	1,037.6	1,300.7	1,839.0	2,595.7	2,771.8

* From Central Bank quarterly July-September, 1978. † First three quarters only. ‡ Includes: time, saving deposits and deposits of residents in foreign currency.

The Central Bank of Kuwait in Kuwait City

KUWAIT VI

Domestically and internationally, maximisation of the wealth yielded by its oil and gas is the overriding consideration in Kuwait's political and economic strategy. But while oil sales are buoyant, Kuwait has to find more customers for the output of its recently opened LNG plant.

Oil and gas

THIS SANDY spot on the edge of the Gulf ranks third, after Saudi Arabia and Russia, in proven reserves of crude oil. The cost of getting the oil out of the ground—the last official estimate was 15 cents a barrel—is probably the cheapest in the world. The oil now selling for $12.83 a barrel, or at a profit of $12.68 to the Kuwaitis.

Kuwaiti crude is heavy and sulphurous, undesirable qualities in an increasingly pollution-conscious, petrol-consuming world. But despite this drawback the Kuwaitis have been able to sell it successfully in world markets. Even in the face of last year's so-called "oil glut," production went up by 6.7 per cent—thanks to some *timely discounts, stockpiling* before the December OPEC conference and shortages caused by the Iran crisis. About 48 per cent of Kuwait's crude goes to Asia and the Far East, 27 per cent to Japan alone. About 42 per cent goes to Western Europe, 5 per cent to Latin America and a small amount to North America.

A few years ago the Government, which sometimes seems obsessively committed to making sure the "future generations" of Kuwaitis enjoy the benefits of oil, slapped a production ceiling of about 2m b/d on Kuwait 31 API, which constitutes about 90 per cent of Kuwait crude production. This restriction is large enough to keep the country's big customers tied to Kuwait, but small enough to stretch out the lives of the oilfields to at least 70 years.

The ceiling has almost become a target, despite the fact that it represents more crude than the country needs to meet its financial needs. On that assumption last year did not start out at all well. What with more crude from Mexico, Alaska and the North Sea on the market, OPEC producers were finding they could not sell as much as planned and in some cases, though not in Kuwait's, as much as needed to pay their bills.

Kuwait's average daily production for first quarter of 1978 was 1.67bn b/d according to the Central Bank and the Oil Ministry, even though it had reduced its official price by 10 cents a barrel to $12.27. The discount was sanctioned at the February OPEC meeting of heavy crude pricing and in addition, to encourage sales, it was given permission to offer 30 *extra days of credit on top of its* usual 60-day credit period. This amounted to about 8 cents off a barrel but no one seemed interested. Only Shell lifted its contractual minimum that quarter, probably more as a diplomatic gesture than because it really wanted the crude. The Ministry was seriously considering incorporating performance bonds in new crude contracts in order to guarantee that the buyer took his minimum.

Discount

Second quarter production averaged 1.66bn. b/d. Some time during that quarter the Oil Ministry decided to remedy the situation. Kuwait's customers were offered a discount of 5 cents a barrel for lifting their contractual minimum, averaged over second and third quarters, and 15 extra days of credit, or about 4 cents off a barrel, for lifting 95 per cent of their base contractual amount, again averaged over second and third quarters.

Third quarter production zoomed to 2bn b/d and all three of Kuwait's main customers—Shell, British Petroleum and Gulf—qualified for both incentives. Added to the financial incentives offered in those quarters to raise production was the speculation that OPEC might hold an extraordinary session to raise prices because *of the devaluation in the dollar* or that there might be another Arab oil embargo in response to the Camp David talks.

In the fourth quarter, when the price was set at $12.22, production jumped to 2.2bn b/d in anticipation of the OPEC price rise in December and in compensation for the shortages caused by the halt in exports from Iran. BP holds a 40 per cent interest in the Iran consortium, Shell 14 per cent and Gulf 7 per cent. During this quarter Kuwait refused to sell customers any more than their contractual maximum, quite a turnabout from the first quarter when no one wanted to take up the minimum. Representatives from Shell, BP and *Gulf streamed* through the Ministry asking for more, but to no avail.

Shell's base contractual amount, under its new contract, effective from October 1, 1978, is 360,000 b/d, plus or minus 45,000 b/d. BP's base amount is 450,000 b/d, plus or minus 10 per cent averaged over the year, although it can go up or down 12 per cent in a quarter. Gulf's base amount is 500,000 b/d, plus or minus 10 per cent a year although it can go up 15 per cent or down 12 per cent in a quarter.

Sheikh Ali Khalifah, Kuwait's Minister for Oil

All three companies were lifting the maximum but still needed more.

In January Kuwait reportedly offered all three a deal whereby they could buy 40,000 b/d extra, but under the following conditions: a one-year contract would be signed, the crude would be sold at official OPEC prices — without the 15 extra days of credit enjoyed by Shell in its regular crude contract and the 15 cents a barrel discount enjoyed by BP and Gulf as the former concessionaires — and the crude would have to be transported in Kuwaiti tankers. Gulf, which has only a small interest in the consortium, has not seemed very interested, but BP and Shell have reportedly bitten.

On top of the short-term push given to Kuwaiti crude production by the problems in Iran is the long-term policy of OPEC to encourage purchasers of heavier crudes. A decision was made at the last OPEC conference to knock 10 cents a barrel off the price of crudes below 30 API before applying the OPEC quarterly price increases and to knock 5 cents a barrel off crudes under 34 API such as Kuwait's. Saudi Oil Minister Ahmed Zaki Yamani noted that this would mean the price spread between heavy and light crudes would increase each quarter, thus indicating to refiners that it would now be profitable to invest in the cracking equipment needed to process heavy crudes into lighter products.

Kuwait is not having as much luck in getting rid of its Liquefied Petroleum Gas (LPG) as it has had in selling its crude. Its billion dollar LPG plant, which has already started coming on stream, could produce about 3.15m metric tonnes a year of LPG, 60 per cent propane, 40 per cent butane, at a crude oil production rate of 2m b/d. In fact, it was designed for a crude oil production rate of 3m b/d, before the 2m b/d ceiling was decided, and so will only be used at a maximum of two-thirds capacity.

Last February Kuwait invited 20 companies to discuss purchasing the LPG. Eighteen came but so far only three have signed *contracts: Shell in July for* 200,000 metric tonnes a year, Idemitsu in September for 440,000 a year and Bridgestone in January for 500,000 a year, all for the Japanese market, the only place where Kuwaiti prices are still competitive. The main sticking points in contract negotiations have been the prices, now $125.50 a tonne for propane and *$115.50 for butane,* and the contract stipulation that 50 per cent of the product must be carried in Kuwaiti LPG vessels.

Adamant

Several years ago when the tanker market looked good, Kuwait ordered four LPG vessels—each with a capacity of 41,500 metric tonnes 50-50 propane/butane — from Le Ciotat shipyards in France at a price of about $49m each. The first "Gas al-Kuwait" was delivered last April and waited until October 26 when it was chartered from Kuwait Oil Tankers, the operating company, by the Kuwait Oil Ministry *for a* trip to Turkey, Holland and Sweden. A ministry source estimates that if Kuwait charters its tankers at current and foreseeable market rates, it still will lose $20m over the life of the vessels. The second ship is due to be delivered at the end of this month, the next in June and the last in October.

The Kuwaitis are adamant about their LPG prices. The Oil Minister said in a recent speech that forecasts of LPG surpluses are "greatly exaggerated," but said nevertheless, "we are planning for more extensive domestic utilisation of this clean and vital source of energy in case of any reluctance by the consuming countries to import it at favourable terms." The irony is that if Kuwait does indeed sign contracts to sell all the LPG it will experience a domestic energy shortage because about 33 per cent of the associated gas is used to fuel generating and desalination plants, about 25 per cent is used by the national oil companies in their operations and about 9 per cent is re-injected into oil wells to maintain producing pressure. The rest is flared. Already from time to time there is a domestic shortage of gas and gas-oil must be used for power generation.

The answer to this domestic energy shortage, which by 1985 is expected to be equal to 100,000 b/d of liquid fuel, is the modernisation of the old Kuwait Oil Company refinery at Ahmadi. Domestic consumption of refined products now runs at about 30,000 b/d, about 45 per cent of which is petrol.

The refinery, with a capacity of 250,000 b/d, produces over 50 per cent fuel oil and is running well under half capacity. It is to be equipped with expensive desulphurising equipment so that it will produce low-sulphur fuel oil to replace the associated gas that is now used by the Ministry of Electricity and Water. A committee of high-level oil officials is still trying to work out the configuration of the updated refinery but it is expected that engineering design proposals will be requested this year. Already some power and water desalination plants run on crude oil, gas oil and fuel oil as well as on associated gas.

There has been some speculation that it would have been more profitable to continue using associated gas domestically and to export the liquid fuels that will now have to be used internally to make up for the gas exports. An "I-didn't-make-the-decision" attitude to the gas utilisation situation is prevalent in Government oil circles.

The answer to the dilemma could be the deep test well. In July 1977 Kuwait Oil Company began drilling a well which was expected to go to at least 20,000 feet down to a stratum where gas had been discovered in neighbouring countries. Unfortunately, on June 23, 1978, the well exploded after reaching *about 9,500 feet and burned out of control* for about seven weeks at a cost of millions of dollars to the State.

The offshore neutral zone area operated by the Japanese-owned Arabian Oil Company (AOC) and shared 50-50 by Kuwait and Saudi Arabia produced an average of 315,343 b/d in 1978, 66 per cent higher than its production in 1977 when the company estimates it lost $2.2m because of the two-tier pricing system. In February, as a result of the OPEC conference on heavy crude pricing, the price of Khafji, which is 26 API, was brought into line with the $12.03 a barrel price of Saudi Arabia's Safaniya, which really comes from the same field, and production in the AOC area rose immediately.

AOC has now decided to increase its Khafji production to 450,000 b/d from the present 400,000 starting next November, in order to meet increased Japanese demand. Production of the lighter crude, API 35, is expected to average about 50,000 b/d.

Kuwait Wafra Oil Company, which took over Aminoil's operating facilities in the neutral zone when that company was nationalised in September 1977, has now been merged into Kuwait Oil Company (KOC) and Kuwait National Petroleum Company (KNPC), with KOC in charge of production and KNPC of refining. About 85,000 b/d of 24 API crude is produced as Kuwait's share in the three fields in this area.

Getty Oil is the operating *company for Saudi Arabia.* All the crude is usually refined at the Mona Abdulla refinery but the Kuwait Oil Ministry recently told crude-hungry companies that packages of Wafra crude were *available for sale.* Neither KOC production nor production from the former Aminoil area is included in Kuwait's 2m b/d production ceiling.

The dispute with Aminoil that brought about the nationalisation has apparently remained unsettled. Kuwait claims that Aminoil, which is owned by the U.S. conglomerate R. J. Reynolds, is $74m in arrears in taxes. Since Aminoil estimates that its facilities are not worth that much, it may abandon the *whole operation.*

Counting the Aminoil refinery's capacity of 145,000 b/d, Kuwait has a refining capacity of about 600,000 b/d, which it is not planning to expand in the foreseeable future, according to its Oil Minister. About 200,000 b/d of that capacity is at the sophisticated KNPC refinery at Shuaiba. After the hydrocracking expansion completed last year the refinery's fuel oil yield was reduced from 24 per cent to 16 per cent. The 250,000 b/d KOC refinery produces over 50 per cent fuel oil, as does the Aminoil facility.

Fleet

KNPC markets all the products from those refineries. Forty-four per cent of exports go to Asia and the Far East, 23 per cent to other Arab countries, 15 per cent to Western Europe and 10 per cent for bunkering. KNPC now has two product tankers and plans to buy seven more. Kuwait Oil Tankers Co., which is 51 per cent Government-owned, is to operate the fleet for the time being. KNPC is aiming to carry 60 per cent of its sales in its own ships.

Kuwait Oil Tankers Company (KOTC) has seven crude carriers of its own. Already, the Oil Ministry has started tying the sale of Kuwaiti crude to the use of Kuwaiti tankers. Under the latest contract signed in *October 1978, Shell* has agreed to a long-term charter of one of the tankers if prices are competitive and fittings meet specifications. Gulf has three KOTC ships under charter, one of which is long-term; BP's deal is similar to Gulf's.

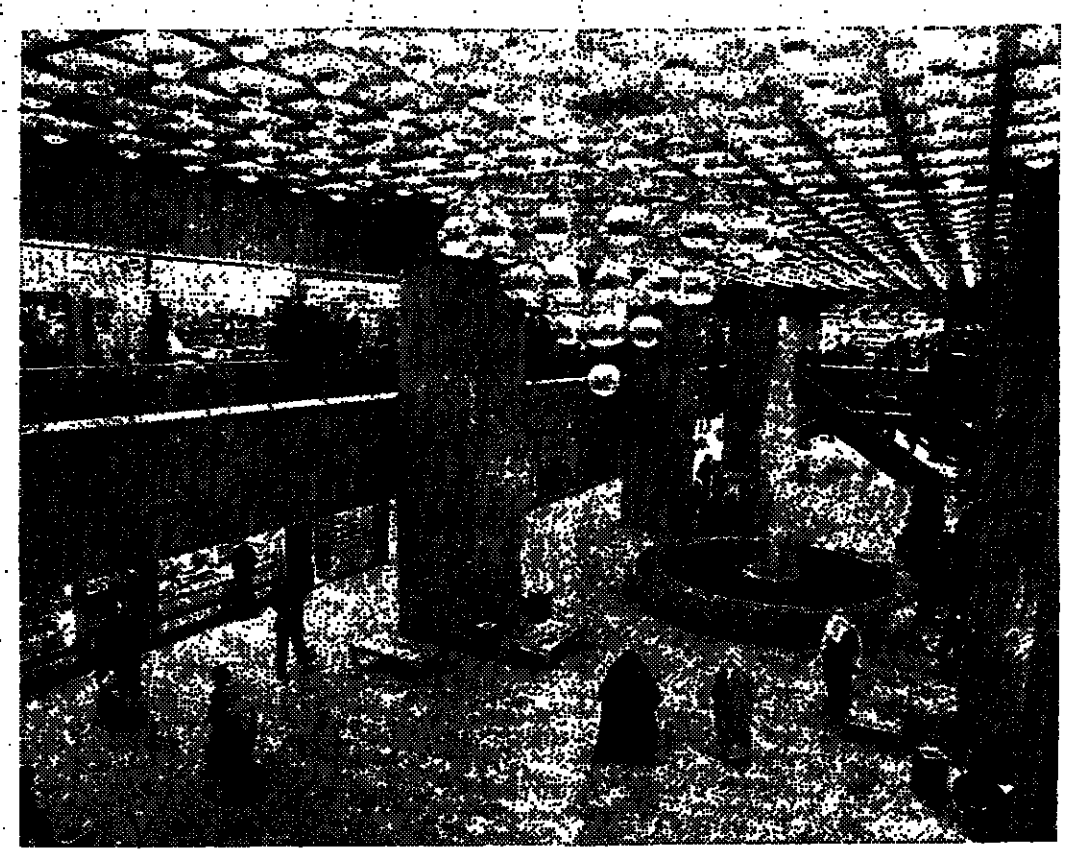
Various joint venture refinery/petrochemical proposals with Romania, Yugoslavia, Indonesia, Morocco, Spain, Italy and Ras al-Khaymah seem to be receiving only minimal attention in the Ministry. The Romanian project, to be located on the Black Sea, has been handed over to the Finance Ministry for consideration—reportedly as a way of burying it.

Kuwait is not a country that *throws money* around any more. The recently completed projects in the oil sector, aside from the LPG plant, produce products for domestic consumption, such as the lube-oil blending plant and the bitumen plant. The modernisation of the KOC refinery is a way to get, essentially, a new refinery for a cheap price. Kuwait is probably going to digest the LPG plant before it decides to invest in grand new export schemes.

Leslie Ann Mitchell

The influx of expatriates needed to staff services and build development projects has made the Kuwaitis a minority in their own country. But the state copes with its potentially volatile immigrant population by providing benefits to keep them happy, while maintaining Kuwaitis at a distance from them.

Expatriate labour



Interior of the new Kuwait Souk in Kuwait City

KUWAIT HAS to perform a balancing act in terms of manpower — just to survive. It needs expatriate labour because there are not enough Kuwaitis to handle the development taking place. But the problem is that the Kuwaitis have become a minority in their own country —47.5 per cent of the population, according to the last census in 1975. Palestinians, a notably politicised group, represent 20.5 per cent in the census, although it is widely believed that for years they have made up about a quarter of the population and the Kuwaitis an even smaller percentage than the census says.

In the census, Egyptians, who staff the courts and schools as well as sweep the streets and do other menial tasks, formed 6.1 per cent, Iraqis 4.5 per cent, Iranians 4.1 per cent (although this figure has dwindled as salaries in Iran have risen), Syrians 4.1 per cent (including many Armenians), Indians 3.2 per cent and Pakistanis 2.3 per cent.

In addition to Iranian expatriates a number of Kuwaiti citizens are of Iranian origin, still speak Iranian, are Shia rather than Sunni Moslems and are generally not considered "real Kuwaitis" by the others. They may make up 20 to 30 per cent of the population of Kuwaiti nationals, and with the current Shi-ite resurgence in Iran are a cause of some concern to the authorities.

The last Kuwait statistical abstract estimates the 1979 population at 1.3bn, but a recent report of the Arab Organisation for Crime Prevention, using Kuwait Government information as well as its own, estimated that as early as 1977 the population was already 1.45m, of which 260,000 were illegal immigrants. Such a large number of illegal immigrants, whose nationalities are not identified in the report, would further depress the percentage of Kuwaitis in the population and cause some serious problems to the State, such as unemployment and rising crime rates, higher welfare costs and even further strains on the already overtaxed housing, communications and transportation sectors.

The Government is now closely scrutinising requests for visitors' visas by Arab nationals in the belief that many come to shop for jobs rather than pay a visit or do business. "Ninety-five per cent of those coming for a visit stay here for years without getting their residence permits," a passport department official said. "This has brought lots of trouble."

Kuwaiti citizenship is particularly difficult to obtain. For first-class citizenship, which includes the theoretical right to vote if one is male and literate, one's forebears must have been resident in Kuwait by 1920. Non-Arabs whose forebears have been in Kuwait since 1930 are eligible to become naturalised second-class citizens, as are Arabs whose forebears have been there since 1945. Naturalised citizens have all the rights of a Kuwaiti but they cannot vote. But the Government naturalises only a few foreigners each year—those who have made significant contributions to the State.

Separate

Kuwait copes with its potentially volatile immigrant population as it copes with the world at large: It tries to keep everyone happy, usually spending lots of money in the process, yet it maintains the separateness of Kuwait and the Kuwaitis. Kuwaitis have a certain disdain for foreigners, usually considering them money-grubbers. The foreigners in return consider Kuwaitis uneducated people whose riches come from luck, not intelligence. There is little socialising between the groups.

Foreigners receive many benefits from working in Kuwait that they would not receive in their home countries but do not have all the privileges of the real Kuwaiti. Kuwaitis in the civil service earn more, by law, than foreigners, even if their qualifications are lower. This is especially significant since more than a third of the expatriate labour force and more than half of the Kuwaiti labour force are employed by the civil service.

Foreigners cannot own a majority share of their businesses but must have a Kuwaiti partner who holds at least 51 per cent. At times this means the foreigner does all the work but the Kuwaiti collects most of the money. But often it also means that the foreigner gets an unsophisticated Kuwaiti to make his "X" on a paper for a small commission while the foreigner, in fact owns the business and reaps the profits.

Foreigners cannot own shares or land for speculation. Arab nationals may, by law, own their own homes and a surrounding plot no bigger than 1,000 square metres but may not rent them or speculate with them. However, in practice, they find their way through red tape to do so. If successful, they probably could not afford the incredible land prices. Foreigners are therefore forced on to the local market for housing where rents are of astronomical degree. Kuwaitis on the other hand can buy Government-built houses for as little as $27 a month.

The benefits to the foreigner working in Kuwait include salaries almost always higher than at home; there is no income tax; medical and dental services are virtually free; certain staple foods are subsidised; education is free for Arabs in Kuwaiti schools if there is room, and if there is not the Government subsidises up to 55 per cent of tuition at private Arabic schools. Government employees hired by contract abroad and executives in the private sector usually get rent-free flats or houses while labourers imported from abroad for specific projects usually get free room and board.

Obviously the deficit side of the equation causes some crumbling but it never seems to turn into anything more. The group viewed as the most potentially dangerous, the Palestinians, are doing quite well financially and since they have no home to go back to and Kuwait supports their cause with money, they avoid crossing the Kuwaitis.

Since the height of the Lebanese war in 1976, when the Kuwait National Assembly (which only represented Kuwaitis) was dissolved, restrictions were put on the Press, which is largely staffed by Palestinians, and Palestinians claim that it has become increasingly hard for them to get visas to come to Kuwait and for those already in Kuwait to bring their wives to join them.

It is more difficult for Palestinians holding "*laissez passer*" tickets rather than passports to come to Kuwait, and those with either *laissez passer* papers or Lebanese passports are subject to close scrutiny in the issuing of work permits, according to a high ranking official at the Ministry of Social Affairs and Labour. *Laissez passer* papers are issued to Palestinians in refugee camps, while all over the Arab world there is a fear that holders of Lebanese passports are Palestinian terrorists who stole them during the Lebanese war.

An official near the top of the security department in Kuwait indicated the link in the minds of the Kuwaitis between Lebanon and the Palestinians when he said: "You know the Palestinians . . . They want to do here as in Lebanon. They want guns . . . they want to press other Palestinians to pay money by force."

The Palestinians deny this. The only threats they present, they say, are their progressive ideas. A female PLO activist said: "We are an active group of people, a progressive group of people. Through our problem we have come to be more progressive and more enlightened. So perhaps this is how we come to be a little bit dangerous to the States we live in."

Some Palestinian families have been in Kuwait almost 30 years. Their children have been born and educated in the country and in some cases grandchildren have been born. Yet they consider themselves only temporarily resident.

Kuwait has granted only a very few of them citizenship. A high official in the Planning Ministry said: "For the Palestinians, granting them any nationality other than theirs means the liquidation of the whole issue." A Palestinian teacher replied: "They pretend that if they give a Palestinian a Kuwaiti passport, he will forget Palestine. That is not true . . . the problem is if they naturalise more foreigners all the leaders and ministers will be Palestinians or foreigners."

Wandering

The Government has taken one step in limiting permanent immigration. Contractors on government jobs must now import their labour from abroad, house it and ship it home at the end of the contract, thus avoiding the possibility of an out-of-work and potentially disruptive immigrant labour force wandering about the country.

There are now about 9,500 S. Korean workers imported by Korean contractors and about 5,000 Indians imported by Enginering Projects of India, (EPI) a State-owned firm. These labourers are isolated from the community in labour camps.

A widely publicised strike occurred at EPI last summer when the company tried to stop its workers from moonlighting on the local market. The Indian labourers discovered that local wages were much higher than those they had agreed to when they signed their contracts in India, and about 500 of them took up part-time and in some cases full-time local jobs. When EPI tried to stop this, they struck. EPI eventually requested the Interior Ministry to deport about 250 and subsequently raised salaries of those who remained. (Most Indians in Kuwait are clerks, middle management employees and professionals who have been here for a long time.)

Most are from Kerala and have invested their Kuwait-earned money there in hope of returning home for retirement. They do not become involved in Kuwaiti politics because "we import our politics with us," an Indian diplomat said. "Kuwaitis do appreciate that Indians are, by and large, hard-working and they do not engage in politicking like the other predominant groups, such as Palestinians and Egyptians—and that is why they like us here."

The Koreans have caused no problems but have engendered some jealousies because they are so highly admired by the Kuwaitis.

An important part of the foreign population are Bedouin. Most citizens naturalised since 1965 are Bedouin who had no nationality before. Most of the Bedouin who have not been given Kuwaiti nationality are in the army or the police. A Government official suggests it might be against the Kuwaitis' best interests to naturalise them since they would then leave the police and army for the civil service where every Kuwaiti citizen is in effect guaranteed a job. As it is, the Bedouin are treated like Kuwaitis, including being eligible for a Government house, so long as they remain in the army or the police. If they leave, they become just another foreigner in the labour force.

Significant

A very small but significant part of the population is European or American. They usually occupy high executive or technical positions but represent less than 1 per cent of the population. It is often they who have been caught in the recent "Kuwaitisation" of the Government and Government-owned or controlled companies. A number have left because the interesting job they were hired to do is now being done by a Kuwaiti while they are left twiddling their thumbs in their offices.

"We are not kicking somebody out and replacing him by a Kuwaiti," a Planning Ministry official said. "But," he added, "we would like to see Kuwaitis taking supervisory jobs, decision-making posts wherever it is possible and practical. I am for Kuwaitisation in the sense of having Kuwaitis in leadership positions."

In the early-1970s the Government became interested in how foreigners felt about working and living in Kuwait and it asked Stanford Research Institute (SRI) in America to look into the question. The SRI report concluded: "There were no hard feelings," a Planning Ministry man said. He added, defensively, "I am just quoting Stanford Research Institute and I have no comment myself."

An official of the Ministry of Social Affairs and Labour, however, summed up the Kuwaiti reaction to the complaints of the foreigner: "If he is not satisfied, he can leave the country. Everybody all over wants to come here to work. He can get a better job and more money. This is a famous country."

Leslie Ann Mitchell

KUWAIT VIII

Kuwait's health care scheme, although provided with funds that would be the envy of almost any other country, has run into difficulty in finding specialist staff in sufficient numbers. And the country still has a long way to go in fulfilling its ambitious community care and hygiene programme.

Health services

THE VISITOR arriving in Kuwait may be requested by the airport immigration authorities to visit a local clinic to check that he is not a carrier of the month's bogey disease. He will be given a card with the name of the clinic and the disease for which he is to be checked—plus the usual dire warnings about failure to comply. At the clinic all details are carefully entered into a ledger before the doctor arrives; it is all friendly and reasonably efficient. The doctor scrutinises the details and requests the visitor to come back after a few days (presumably after the possible incubation period) but Western visitors often leave before that time is up.

It is one small illustration of Kuwait's strong concern with health matters, which finds its main expression in the current $280m-plus hospital building programme. Six new hospitals are virtually complete, one is being renovated, and tenders for the equipment should be evaluated this month. The programme will add over 3,000 public beds to the Kuwaiti hospital system and may be followed by the addition of further specialist facilities.

In the mid-1970s it was acknowledged that Kuwait's existing public hospital facilities, largely concentrated at the Amiri and Sabah hospitals, in addition to the few private hospitals, including the Southwell hospital in the oil town of Ahmadi, were under too much pressure. A large number of Kuwaitis and Western expatriates went abroad for medical treatment, and in the case of Kuwaitis the state paid all costs. In characteristic Kuwaiti fashion, it was decided that a large-scale hospital building programme would be initiated—but lessons from the past were remembered.

It had become clear to the Kuwaitis that a hospital programme on the scale envisaged needed careful and co-ordinated planning — building, equipment and staffing, all had to be simultaneously acquired. It was at this point—in 1976—that the Minister then in charge of health matters in Britain, Mrs. Barbara Castle, visited the State. During 1977 the Wessex Regional Health Authority became involved as advisors to the Kuwait Government on their hospital building, equipping and staffing programme. The *contract was an open ended one* to be reviewed annually.

The hospital programme that was established was based on the construction of four completely new hospitals in the outlying districts of Kuwait City, each providing just over 500 beds. Then the Amiri Hospital was to be reconstructed to add a further 390 beds. The Sulaibikhat Hospital and the al Sabah hospital were also to be renovated. (A 500 bed military hospital is also on the Sulaibikhat site, but that cannot be counted as part of the "public" hospital programme.) A figure of around 9,500 has been mooted for the numbers of staff required for the new hospitals.

It is in the staffing area that the Kuwaitis face their first serious problem. The supply of qualified medical staff is limited, and if the selection is further narrowed by accepting only those who have a working knowledge of English the numbers become even smaller. Then a select number of these have to be persuaded to come and live and work in Kuwait.

It is not a problem unique to Kuwait—all the Gulf states with small indigenous populations share it. To date the Kuwaitis are not finding it particularly difficult to hire nursing staff or the more junior doctors. Senior medical men and experienced hospital administrators, in particular, are much harder to find. It is difficult to winkle them out of a career structure in their home countries—even with the prospect of tax free incomes—as they will always face the problem of eventual reintegration. And the Kuwaitis are unlikely to want to staff their hospitals with specialists who are all within three to five years of retirement.

Variety

Even if sufficient numbers of staff of the right quality and experience are found, they will come from a wide variety of backgrounds. Then someone in the hospital will have the problem of welding several different sets of prejudices, instincts and types of training into a cohesive whole. "A hospital is more than just the building and equipment," argues a consultant, "it succeeds or fails through the teamwork generated by its staff." Another wonders whether the Kuwaitis have fully realised the complexity of the task they have set themselves—but even if they have not, at present there is no alternative.

A wide variety of contractors, including one Kuwaiti, are undertaking the hospital construction programme which is nearing completion. The Kuwaiti company, M. A. Khorafi, is building the Fahaheel hospital and is working with a French contractor on the Farwaniah Hospital. The Kuwaiti Government has always had a conscious *policy of involving* the local private sector *in* its projects, and it shows in the hospital programme.

It shows up particularly in the equipment programme for the hospitals. Tenders have been invited for specific groups of equipment from local suppliers—the Kuwaitis have been very reluctant to become involved in the turnkey approach to hospital construction. A budget of about KD 8,500 for capital equipment per hospital bed has been set, which means that the new Kuwaiti hospitals should be among the best equipped in the world. It has been determined that all equipment will be bought through Kuwaiti agents.

Consultants from the Wessex Health Authority are very conscious that the experiences of Wessex cannot be translated wholesale to Kuwait. "Modifications suitable for Kuwaiti society have to be introduced," asserted one consultant. It is sometimes difficult to bridge the culture gap—for the Kuwaiti to explain differences that cannot always be expressed in words and for the Westerner to understand. A small point of which consultants and contractors always had to remind themselves, for example, was the necessity to provide separate facilities for women—separate entrances, waiting rooms, pharmacy approaches as well as the separate facilities customarily found in Western hospitals.

The health services in Kuwait provided by the state are free to all residents regardless of nationality. A number of Kuwaitis who go abroad for treament pay their own way but the majority are paid for by the state. It is estimated that the new facilities soon to be installed in the Emirate will cut by two-thirds the numbers of people needing to go abroad for medical treatment—though the actual figure is unlikely to diminish by that number.

The new hospital programme, however, is only the central plant of the Kuwaiti approach to health services in the state. It is felt that further support services both "below" and "above" these hospitals will be needed. Underlying the hospital chain there should be a community care programme—clinics in the villages and smaller suburbs to cope with the effects of simple ignorance of hygiene. How to go about setting up such a basic health network is very much in Kuwaiti minds at present.

Necessary

As the population of Kuwait continues to grow it will become ever more necessary. The labouring classes in Kuwait are non-Kuwaiti, largely non-Arab and often undernourished and uneducated. Kuwait needs these people to maintain its basic services, and while there is a turnover of immigrant labour, an established core of immigrant families is also being established. These will need the same simple education in basic hygiene and nutrition that their own governments try to provide at home.

At the other extreme there are plans for such sophisticated institutions as polio centres, kidney centres, an eye bank (the prevalence of eye disease in the Gulf strikes the new visitor hard), a fever hospital and a blood bank. These are all "tertiary referral units" which most developed countries have—but these countries have greater populations and thus, proportionately, a greater need for such specialist units. Kuwait can certainly afford to build such centres. But the question then arises—if there is difficulty staffing standard hospitals, how much more difficult will it be to find highly specialist staff?

D.T.

Although many Kuwaitis believe that the Government is duty bound to provide them with a house, the long waiting lists show that this ideal state of affairs is a long way from being realised. But the Kuwaitis' problems are insignificant compared with those of the expatriate, who must pay astronomical rents for even a modest apartment.

Housing

HOUSING IS a delicate subject in Kuwait. At the time of the dissolution of the National Assembly in 1976, the deputies were engaged in an orgy of criticism of Government housing policies—of the long waiting list for Government housing and of the soaring rents some of those on the waiting list were being forced to pay while waiting.

The Kuwaiti seems to consider the basic right of citizenship to be, not the right to vote, but the right to a Government-provided house. And that means a house, not an apartment, made available to citizens of both limited and average incomes to purchase at subsidised prices. Government housing means ownership of a plot of land and the house, called a "villa" here, on that land.

By the end of 1976 the Government had built and distributed 16,353 houses for Kuwaitis, but at the same time 21,661 families were still on the waiting list. And 1976 was the year when rents skyrocketed, due in part to the influx of refugees from the Lebanese war. Now 29,554 houses have been built by the government, but there are still 20,169 families on the waiting list.

With the natural growth of the Kuwaiti population estimated to be about 3.5 per cent a year, one of the highest rates in the world, a Planning Ministry official says: "We are trapping ourselves as a Government. It is as if it is a divine right that being a Kuwaiti means I have to have a house as my own property." He says he himself registered for a house in 1975 but probably will not get one until 1980. The waiting period for a family in the limited income group may be ten years, he says.

It is hard to see how the Government can satisfy this demand for housing, either fiscally or physically: just designing and building the housing schemes is a Gargantuan job. The National Housing Authority is commited to building 5,800 units a year.

It is interesting to note that at this time of unease in Kuwait, caused by the disruptions in Iran, the Government has appointed a committee to come up with a new housing policy. This year alone 13,259 houses will be distributed to limited income Kuwaitis. A total of 17,434 units for the limited income group will have been built between 1975 and 1980. Housing Ministry Under-Secretary Abdullah al-Awadi says that 50 per cent of the eligible Kuwaitis on the waiting list will get their houses by the end of the year, and by 1980, 85 to 90 per cent will be satisfied.

However, each year more families apply. The Under-Secretary says that their number is decreasing. But the master plan for Kuwait, which has been adopted as the *country's overall planning* strategy, estimates that between 1975 and 1980, 17,900 new households will be formed, between 1980 and 1985 20,600 new households, between 1985 and 1990 27,100 new households, between 1990 and 1995 33,000, and between 1995 and the year 2000 39,700. The Government expects about half of this to be taken care of by the private sector, but it still leaves an enormous amount for the Government to care for.

Definitions of "average income group" (AIG) and "limited income group" (LIG) are tied to civil service pay scales. *The LIG is one in which* the head of household earns no more than $1,095 a month. The earnings of other members of the household are not counted. The maximum an LIG family will pay for its house is about $55 a month, while the minimum is about $27 a month. The house is generally a two-storey one with seven rooms plus kitchen, garage and baths.

The family will not own the house for at least 10 years and so cannot sell it during that time and is not permitted to rent it in that period. It only owns the house after 10 years if

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KUWAIT IX

Since 1974 it is not just fellow-Arab countries which have been beneficiaries of Kuwait's bountiful aid programme. Third World nations in Asia, Africa and elsewhere have cause to be thankful for a whole series of disbursements where the common thread is clearly a genuine moral wish to help others.

The aid programme

BY ALMOST any yardstick the figures on Kuwaiti aid are impressive. Even before 1973 Kuwait's disbursed aid totalled $1.15bn—when the country was at a much earlier stage of development and had a much smaller income than it has now. Between 1973 and 1976 aid disbursed totalled $2.15bn (against $3.16bn committed), and in 1977 alone disbursements were $1bn ($1.3bn committed).

These figures, based on OECD statistics, suggest among other things, that Kuwait could claim between 1973 and 1976 to be giving 5.3 per cent of its GNP in aid. They indicate that Kuwait's aid disbursements are still rising, though since 1977 they appear to have reached a plateau, like many other expenditure items in the Government's budget.

Kuwait takes a thoroughly pragmatic attitude to its aid operations. It gives in part out of a genuine altruistic desire to share the wealth which good fortune has bestowed upon it, and partly out of an appreciation of the political necessity for aid giving by the revenue surplus states: with their enormous income per head and their low populations, aid is a kind of rent paid for the continued tolerance of them by their neighbours, the Third World and the international community in general. Of the major aid-giving Arab states Kuwait's aid appears to be most accurately in line with its political needs: Saudi Arabia sees its aid as an instrument of a far more ambitious foreign policy than Kuwait, while one might ask whether the enormously generous bequests of Sheikh Zaid, Ruler of Abu Dhabi, are in excess of the political needs of the UAE.

In Kuwait, as in other Arab aid giving countries, the Ministry of Finance is responsible for the largest share of disbursements. This is because it handles not only the contributions to multilateral organisations, which have become very *significant in recent* years, but it also deals with all the bilateral political aid and balance of payments support which Kuwait gives. The figures for the Ministry of Finance's bilateral aid are secret, including as they do assistance to Syria, Jordan, the PLO and, until recently, Egypt under the Khartoum and Rabat summits and other agreements. Kuwait appears to be committed to give more assistance to Syria and Jordan under the Baghdad summit of last November, while aid to Egypt has been reduced to project aid.

Mr. Abdlatif al Hamad, Director of the Kuwait Fund for Arab Economic Development

Since the 1973-74 oil price rise Kuwait has become involved in a lot of multilateral aid giving institutions, such as the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the OPEC Special Fund and the Gulf Organisation for the Development of Egypt (the capital of which is not to be increased). In addition it has contributed to the funds of the World Bank, the IMF and various UN agencies. According to a list presented by the Ministry of Finance, capital subscriptions to multilateral organisations between 1962 and 1977 amounted to $1.68bn.

Yet despite the size of the Ministry of Finance's contribution, the Kuwait Fund for Arab *Economic Development,* the second biggest outlet for Kuwaiti aid, has been handling a much larger proportion of bilateral aid since 1973-74 than before. An enormous part of Kuwait's reputation as an aid giver is due to the KFAED, which was founded soon after Kuwait became independent and which has been the pioneer of project aid in the Arab world. *Other Arab funds* did not become operational until the early 1970s, and the real explosion of Arab aid giving *took place after 1974.*

Apart from the long collective experience of its staff and the inspired management of the *Fund's director-general,* Mr. Abdalif al Hamad, who has run it almost since its inception, the real strength of the Fund lies in its political independence. It does not take orders from the state and the criteria on which it lends do not, broadly speaking, include whether the beneficiary is, or could become, politically friendly to Kuwait. By lending according to the validity of the project the Kuwait Fund is, paradoxically, of more benefit to the Kuwait Government than if it were its political servant.

The Fund has increased its lending enormously since 1974. Total cumulative lending rose from KD 140m in March 1973 to KD 335m by June 1977. With a further increase of KD 58m in the 1977-78 financial year, cumulative lending stood at KD 490m with 117 loans by the end of June 1978. If a further KD 35.8m worth of loans which were signed just after the end of the financial year are included, the 1977-78 disbursements reached KD 89.3m. This is still a decline on the 1975-76 figure of KD 159.4m and the 1976-77 figure of KD 114.6m, and could represent a desire by the Fund to stabilise its disbursements.

The major expansion of the Fund's activities has come about because since 1974 it has been authorised to lend outside the Arab world, so that over the January, 1975 to June, 1978 period only 54.5 per cent of the KD 331m *disbursed went* to Arab countries, with 29 per cent to Asian countries and nearly 16 per cent to African countries. *Of the 14 loans signed during 1977-78* eight were for Arab countries, four for Africa, one for Asia (Thailand) and one for Malta. As examples typical of projects, in North Yemen the Fund is contributing KD 2.4m towards a project for modernising two of the country's ports (Hodeida and al-Makha) and strengthening the port authority's capabilities and providing training for its staff. The International Development Association is co-financing the project, so the Kuwait Fund is covering 28 per cent of total costs and 40 per cent of foreign exchange component.

The biggest loan of the year was for KD 8m towards the rehabilitation of Beirut airport after the Lebanon civil war, part of a project costing KD 19m to repair and strengthen the runways and replace equipment damaged or lost during the war. Most loans are for infrastructure. The four loans to Africa are for transport, and half the Arab loans are for transport, the rest power and water.

As with other funds, the Kuwait Fund faces problems in finding suitably presented viable projects, as well as in slow disbursements due to slow implementation. Average annual disbursements over the past three years have been KD 51m, *against average commitments of* KD 121m. The Fund does not usually help countries to find projects, but in view of the *administrative weakness* of North Yemen, South Yemen and the Comoros, the Fund has technical assistance teams working in these countries' planning institutions to help them in plan and project formulation.

The third channel for Kuwaiti aid rarely gets publicised but is well known in the states where it operates. The General Authority for the Arabian Gulf and South Arabian States was founded under a different name in 1962. Originally intended to assist the Emirates in the Lower Gulf it now also covers Bahrain, Oman, North and South Yemen and the Southern Region of Sudan. It finances, provides staff for and in most cases runs about 120 schools, several teacher training institutes, 10 hospitals, about 20 health clinics and the entire University of Sanaa, in North Yemen.

The Authority's board is composed of the under-secretaries of the relevant Kuwaiti ministries, plus the director general of the KFAED, and is chaired by the Minister of Foreign Affairs. Its budget, contributed by the Kuwait Government, amounted in 1977 to KD 12m.

J.B.

Housing

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it has within that time paid the Government the amount it spent building the home. At the moment the lowest price for an LIG house is about $80,000. However, the Government calculates land costs for the *home at about $1.80 a square* metre where it is about $2,000 a square metre in the market. Obviously, after 10 years a family could sell its house at a large enough price to repay the Government and make a substantial profit.

Part of the limited income group programme is the Bedouin housing programme, called the rural housing programme. By 1980 about 10,000 "Arab houses" are to be built as part of this scheme. These are one-storey, 100 sq metre-houses in traditional Arab style. This year about 4,700 Arab houses will be distributed. The Bedouin eligible for this programme do not have Kuwaiti citizenship but may eventually become citizens. Until then it has been Government policy to provide houses to replace the shacks they are living in. They do not own these Government houses but rent them at nominal fees, and they cannot get the houses unless they work for the Government, which in their cases means for the army or the police. Once they leave those services they are no longer able to get a house.

Until last year there were two programmes for housing average-income group Kuwaitis defined as those where the head of household makes no more than £1,825 a month, again not counting the salaries of other household members. Under one of the programmes, now defunct, the Kuwait Municipality, the Government's land-use planning agency, distributed 750-1,000 sq metre plots to families who would then go to the Credit and Savings Bank for interest free 30-year loans to pay the nominal sum for the land and to pay for construction of their villas. Problems arose with this scheme when the borrowers began to spend more on their houses than they had received in loans. The last land area distributed under this system is filled with half-built houses.

The Council of Ministers decided to give $18,250 to those who needed it so that they could complete their homes and then *issued a decree stopping this* scheme. Now average income group Kuwaitis get their housing only under the second scheme, which is part of the heavily burdened National Housing Authority.

Under this scheme, the NHA builds the house and the AIG family gets a loan from the credit and savings bank to buy it. The NHA now has 2,284 AIG houses under construction, while at the same time it is trying an experimental project: to put AIG Kuwaitis into three high-rise complexes. The proposed complexes are luxury buildings designed to entice the Kuwaiti, who usually wants his own plot of land.

The dissatisfaction of the Kuwaitis who have been waiting years for their Government houses must be matched, if not exceeded, by the *dissatisfaction* of the expatriates, who make up a majority of the population and cannot even look forward to a house. *Practically* speaking, they are forbidden by law to own their own homes and must look to the local market for rental units at prices which are often astronomical. Bargain rates for a middling-size villa are about $2,200 a month. A modest one-bedroom apartment can easily be $1,095 a month, while it is common to see menial workers earning about $230 a month crowding into single rooms rented out in Kuwaiti houses for $200 a room.

The problem does not exist for the European executive in a private company because the company will usually provide housing, nor for the higher-echelon government staff hired abroad, because the Government rents flats for them. It does exist for westerners trying to start businesses here, and for *Palestinians* and other groups in the population who have been here for years. Also hit are the Iraqi, Iranian and other *poorer* labourers.

Last summer the English-language newspaper, the "Arab Times" announced "Emir plan to house expats." The story said the Government was going to "build a huge housing colony to be leased to middle-income expatriates at nominal rents." So far the only expatriate housing that the Housing Ministry is talking about are three domitory-like complexes, two of which have been built but not yet occupied. Each of the complexes has a capacity for 8,000 persons, two *to a room. Rent is to be $91 a* room.

The only glimmer of hope now is that rents for the more expensive flats seem to be going down. Apartments in one luxury building have dropped from $3,100 a month to $2,200 a month. But rents in the lower categories do not seem to have been affected by the over-building that is affecting the luxury trade. And a new rent law has been passed that lets the landlord raise rents by 100 per cent every five years. For some time to come rents will probably be an important part of the conversation at gatherings in Kuwait.

L.A.M.

Kuwait's investments are spread widely throughout the world, from the Arab states to the U.S., Britain, West Germany, Brazil, and Japan. But the Kuwaitis have had to live with resentment of their commercial attitude and find it tactful to publicise their achievements only in the Arab countries.

Investment abroad

KUWAIT'S PUBLIC image both in the West and in the Arab world has probably been moulded as much by its role as an investor as by its role as an oil producer or aid giver. From the house purchases of individual Kuwaitis in Europe to the financing of commercial development projects in the Arab world, investment has given Kuwait a firm identity in the minds of ordinary Westerners or Arabs. Kuwait is *also better known as an investing* nation than any other State, having started long before the other oil States, even though Saudi Arabia has, since the 1973-74 oil price rise, built up a financial surplus more than double that of Kuwait.

Last year Kuwait for the first time revealed the size of its investment abroad. Mr. Abdul-Rahman al Atiqi, the Finance Minister, said State reserves at the end of 1977 totalled KD 7.4786bn *($27.4bn* at the current rate of exchange). That was the combined total of the State General Reserve and the Reserve Fund for Future Generations (RFFG), which was established in 1976 and whose capital and income cannot be touched for 25 years.

When *the RFFG was formed* it was given half the State General Reserve Fund's assets (its most desirable long-term commercial investments). In addition it took the 1975/76 budget surplus, and so started off with KD 850m. Now it is automatically given 10 per cent *of actual revenue a year.*

The State General Reserve, on the other hand, includes not only commercial investments both in the industrial world and the Arab countries, but the capital of Kuwaiti institutions such as the Central Bank and the Kuwait Fund for Arab Economic Development, investments in certain Kuwaiti companies, loans to the IMF and World Bank, recycling facilities, capital contributions to Arab aid funds and development banks, and bilateral government-to-government loans. Of the total reserves altogether about KD 1bn was thought to be in local currency, leaving about $22-23bn in foreign currency, and Mr. Atiqi said that some 60 per cent of the total was in *non-Arab foreign* markets in the form of equities, long-term bonds, deposits and property.

Any tally of the State's total financial assets should also include the Finance Ministry's cash accounts (foreign exchange awaiting spending) which may at any one *time amount to about* $4bn, and the Central Bank's funds for backing the note issue. The total came to more than $30bn at the end of 1977 and with further accretions to the oil revenue and income from investment the present total is now well above the 1977 figures. But the composition is probably about the same.

It is not possible to make a worthwhile assessment of Kuwaiti foreign holdings in addition *to those the State—* i.e. those of the private sector and the royal family.

Property

The Ministry of Finance directly handles a large number of the Kuwait Government's investments (for example, its property investments in Paris where it owns a large chunk of land on the Champs Elysées), while the Ministry's offshoot in London, the Kuwait Investment Office, handles both long-term investments in equities and property, and the placement of short-term funds in the money market in the U.K. Most property investment in the U.S. is handled by Chase Manhattan and Bank of *America:* equities outside the realm of the Kuwait Investment Offices are managed by some 16 portfolio managers.

But a large amount of Government investment is channelled through the Kuwaiti investment companies. The biggest are the three Ks—the Kuwait Investment Company (KIC), the Kuawaiti International Investment Company (KIIC); and the Kuwaiti Foreign Trading Contracting and Investment Company (KFTCIC), the first and last of which have Government shareholdings.

KIC, in which the Government has a 50 per cent stake, has a capital of KD 12.4m and is the oldest of the three, dating from 1962. It is involved in property both in Kuwait and elsewhere (for example, it owns the Ramada hotel in Bahrain, and a hotel and exhibi*tion centre complex in Atlanta,* Georgia) one of its better publicised property ventures is the ownership of Kiawah Island off the coast of South Carolina which is being developed as a luxurious leisure centre.

KIC is also involved in shipping (it has a fleet of roll-on *roll-off ships*), banking, portfolio management, bond and syndicated loan management and participation in several merchant banks around the world. It has some small investments in Arab States outside the Gulf.

KIIC is 100 per cent privately owned and is both a merchant bank and holding company. It is involved in bond underwriting, loan syndication, portfolio management, local share *dealing, property in Kuwait* and some corporate investment—for example, in London, Brazil and Venezuela. Its capital is KD 12m.

KFTCIC is mainly involved in the developing world, especially in the Arab countries. Now 85 per cent *Government-owned. its capital* is KD 25m and its main activities include banking and bond underwriting, and property in both Kuwait and elsewhere in the Arab world (mainly through the Kuwait Real Estate Investment Consortium) and direct investments in equity.

The larger part of the funds deployed by the KFTCIC are the portfolios of other clients, chiefly the Government itself. Thus, for example, KFTCIC holds and manages the Government's $36.8m stake in the Kenana sugar project in Sudan. It is also involved in joint venture investment projects in such countries as Sudan, Egypt, Morocco, Mauritania, Spain, Brazil, West Germany, Pakistan, *Oman, Jordan, Syria and Iraq.*

In Sudan the Sudan-Kuwaiti Investment Company has active subsidiaries in livestock road transport and construction, while in Egypt the KFTCIC holds the Government's stake in the SUMED pipeline and has an investment company in*volved in various joint* venture projects. Across the Arab world its investments range from development banks to iron ore.

While the most spectacular Kuwaiti property investments are handled by the Ministry of Finance or its portfolio managers, the biggest outlet for Kuwaiti property investment in the Arab world is the Kuwait Real Estate Investment Consortium (KREIC) set up with *a capital of KD 10m in 1974.* Its shareholders are the Ministry of Finance with 20 per cent; the three Ks with 10 per cent each: the three main public property companies: the Kuwait Real Estate Bank and the Kuwait Hotels Company.

In view of the participation *in it by investors in other* Arab countries its chairman and managing director Mr. Ahmed Duwaij describes it as the first Third World multinational. It has projects operating, or is attempting to get them operating, in Egypt, Morocco, Tunisia, Saudi Arabia and North Yemen, where it has signed a contract to build a Sheraton Hotel in Sanaa and is involved with a housing complex. The KREIC has also tried to get projects going in Syria, Sudan and Jordan but without success. One of its shareholders, Kuwait Hotels, owns the Hilton in Kuwait, has a majority share in the ownership of the Khartoum Hilton and has hotel interests in other States including Egypt and Tunisia.

In addition to these concerns there is a whole range of investment companies whose business includes managing investment portfolios for clients, trading and investing at home and abroad, stock exchange dealing in Kuwait, bond issue *management, foreign exchange* dealing and project development. Relatively few companies engage seriously in project finance, most of them being content to take stakes in established companies. Not all the investment companies are very active, some having been established when licences were available against the day when they might not be so easy to come by.

Institutions

Apart from highly specialised bodies like KREIC, few of the investment institutions operate exclusively in either the Western or Third World, and all have at least some investment in Kuwait itself. In the *last few years* there has been a major increase in investment in the Kuwaiti domestic market, where Kuwaitis naturally feel more at home and can enjoy watching the progress of their investments.

Any analysis of how Kuwaiti assets (both Government and *private sector)* are deployed abroad must be tentative, given the inevitable discretion with which most of such operations are handled. The U.S. is certainly the biggest single outlet for Kuwaiti funds, in equities, property and the money market, and as far as long-term investment is concerned, especially the RFFG, the current weakness of the dollar matters little set against the 25-year economic and political prospects.

In Europe Britain seems to be the most popular outlet, long association and familiarity plus the presence in London of the Kuwait Investment Office offsetting negative factors. Britain is the outlet for investment in property and equities, as well as the repository of short-term money. Since the St. Martins property takeover Kuwait has tended to shy away from buying large stakes in individual companies which attract publicity and can be difficult to unload.

When in 1976 British legisla*tion made Kuwait disclose* all stakes of 5 per cent and above in British public companies the total value disclosed amounted to $69m. Among the larger Kuwaiti holdings is a stake of more than 22 per cent held by Gulf Fisheries in Lonrho.

Kuwait has stakes in banks *and financial institutions* in France as well as substantial property holdings. In West Germany the Finance Ministry has a 14 per cent stake in Daimler Benz, while a 30 per cent holding by the Government in the Korf steel concern, taken in 1975, was not disclosed until last year. In addition there are other Kuwaiti stakes in finance and industry. Elsewhere outside the Arab world there are identified Kuwaiti investments *in Brazil, the Cayman Islands,* Venezuela, the Bahamas, Hong Kong, Japan, Korea, Malaysia and Pakistan, Congo, Gabon and Nigeria.

Investment in the Arab world tends to be publicised more than investment in the West for reasons which include the need *to offset occasional* Arab criticism of the oil States' investments in the West and the relative novelty of intra-Arab investment. Several of the countries now open to investment did not encourage it at all until a few years ago. Before the 1973/74 oil price rise Kuwait was virtually the only source of intra-Arab investment and it is still the leader.

There are several investments by public companies in the other Gulf States, notably in Bahrain, the UAE and Oman, where investments are in both finance and industry. In addition many Kuwaitis recently invested in property in the UAE, especially in Dubai, Sharjah and Ras al Khaimah, and may now be regretting it. It is noticeable though that the Kuwaiti commercial banks have invested less in the Gulf than might have been expected.

Rather more adventurous is Kuwaiti investment *in the* poorer Arab States. While Jordan, Tunisia and Morocco have long been receptive to *foreign investment,* States such as Egypt, Sudan, North Yemen and to some extent Syria have opened up to it only in the past few years. The potential for economic development in these States is sizeable, especially in agriculture, and there are pockets of underutilised labour.

There are identified Kuwaiti investments in almost all the Arab States except Algeria, though Kuwaiti involvement in Libya appears to be confined *to a* KFTCIC stake in the Libyan Arab Foreign Bank, and involvement in Iraq is minimal. KFTCIC is certainly the biggest Kuwaiti investor in industry and agriculture *in the Arab* world, especially in Sudan and Egypt, while KREIC is active in property. Kuwait also has stakes in a number of inter-Arab concerns, such as the Arab Investment Company, the United Arab Shipping Company, the Gulf International Bank etc.

Difficult

Yet no one could say that *intra-Arab* investment was a painless business or that the Arab world had so far lived up to its full potential as an absorber of Arab investment capital. Equity investment in the Arab world is naturally difficult, so that most investments there are in projects which require time and skill to supervise. The biggest and fastest profits in the Arab world are to be made in property development, but this fact may be the reason why the KREIC, successful in some States, has met obstruction and snags in others. The main constraint on investment is often the weak infrastructure of the country concerned, as is the case in Sudan, but more usually it is bureaucratic difficulties—*inefficiency, outdated legislation* and obstruction.

Six years after the oil price rise a league table of countries as investment outlets in the *Arab* world outside the *Gulf* would probably have Tunisia, Jordan and Morocco at the top, while Sudan, Egypt and North Yemen would probably be in the second division. Syria, once considered promising by Kuwaiti and other Arab investors, has lately lost an *enormous amount of favour* with them

One move to smooth intra-Arab investment was the establishment in 1973 of the Inter Arab Investment Guarantee Corporation (IAIGC) based in Kuwait. It was slow to get under way until its capital was boosted when Saudi Arabia finally joined in 1977. Now with 18 members and capital of KD 21.5m it has become more active. It can provide cover for direct investment, loans, portfolio investments and construction equipment against the risks of confiscation and nationalisation, transferability of funds and the possibility of war and revolution. It is also moving into export guarantee insurance. The majority of its operations are in *Egypt.*

According to the director general, Mr. Mamoun Ibrahim Hassan, it had issued KD 20m *worth of guarantees* up to the end of 1978 and will be able to do a further KD 17m this year (a target he expects to meet), being allowed to go up to KD 107m (five times capital) over a five-year period. But the IAIGC's capital is relatively small and no operation can exceed 20 per cent of its capital. So KD 4.3m is the maximum it can insure on any one project though it can insure part of a project. But Mr. Mamoun Ibrahim says that investors in the Arab world are now getting to know what the IAIGC offers. Many Kuwaiti investors use the IAIGC's facilities, but they point out that the IAIGC does not (and cannot) insure against the worst hazard for the investor in the Arab world—human inefficiency and obstruction.

J.B.

Devolution referendum: the final week

Surfeit of red herring

By RAY PERMAN, Scottish Correspondent

WITH ONLY three days to go before the referendum on Scottish devolution on Thursday, the campaigners are at last beginning to catch up with the main concerns of the electorate. For those with a genuine interest—and the polls and attendance at meetings show that the mass of Scottish voters are not only concerned, but also very well informed about the fairly complex issues being discussed—the way the public debate has been conducted has often been maddening. Mud-slinging and bickering have too often grabbed the headlines from the main arguments.

It is still anyone's guess how the ballot will go. The opinion polls (there have been three in the last week, with another to come tomorrow) still indicate that more people intend to vote Yes than to vote No. But the very large proportion of "don't knows" and the uncertainty about how many people will actually turn out to vote could put the result in doubt. There are a lot of people whose inclination is to vote for a legislative assembly to bring back decision-making to Scotland, but who have misgivings about how it would work in practice.

The Yes campaign, which has been fragmented and disjointed, has arrived very late in the day at the realisation that these fears must be understood and explained away rather than made light of, as has too often happened. Devolution has been on the Scottish political agenda for a very long time indeed and the cases for both sides have been rehearsed time and time again. Yet, because the pros and cons are well known does not mean that people have necessarily resolved them. This has been shown by the large attendances at meetings, where often 200 or 300 have assembled to hear the issue debated between relatively unknown local politicians and the types of questions being asked. There are always those already committed on one side or the other who use the opportunity to score points, but for the most part questioners seem to have a genuine desire to know.

The latest opinion poll, conducted by MORI for the Weekend World television programme, showed that 49 per cent are likely to vote Yes and 26 per cent No. National Opinion Polls' survey for the Scottish Daily Record last Friday gave the figures as 44 per cent Yes and 30 per cent No, and Opinion Research Centre for The Scotsman earlier last week put them at 49 Yes, 33 No.

Large gap

In a general election campaign such a large gap, reasonably consistently reported in different polls this late in the campaign, would bring smiles to the faces of the leading side. In this referendum, things are different.

A clause proposed by Mr. George Cunningham, the Labour MP for Islington South, and backed by anti-devolution MPs as a means of loading the vote against the Yes side, means that at least 40 per cent of the electorate has to vote for devolution before the Scotland Act can be put into effect automatically. If that threshold is not reached, the Government is obliged to introduce an order into Parliament repealing the measure. That may not necessarily be the end of the story, for the Government could, and probably would, ask the Commons to vote against the order if there is a reasonable majority in the referendum, whether or not it reaches 40 per cent of the electorate.

But it would mean that the position would be once again undecided. The same arguments, heard already in the Parliamentary debates on the ill-fated first Devolution Bill and on the Scotland Bill, and in the referendum campaign itself, would have to be gone through again. And if, at the end of the day, there was a majority for devolution but Parliament, on the strength of the 40 per cent clause, rejected the Bill, there would almost certainly be a resentment in Scotland which would unsettle its politics for years to come.

The No campaigns as well as the Yes are feeling the effects of the 40 per cent rule. Since the start of the campaign, the various Yes groups have made a point of calling for a maximum turnout, claiming that an abstention is as good as a No vote. This is true up to a point. A potential Yes voter who stays away obviously does not count towards the 40 per cent requirement and therefore does not help the cause he supports. But although Yes voters have been alerted to the need to get out and vote, potential No voters have been encouraged to think that they can register their views just as effectively by staying at home.

Both Scotland Says No, the main anti-devolution umbrella group and Labour Says No, the Labour party dissidents, have been at pains to point out to their supporters that this is not the case. If, as these groups believe, there really is no support for devolution in Scotland, a low No vote will do nothing to get this fact across to the MPs, who, in the end, may have to decide the issue.

Grave disservice

So the Cunningham amendment has done a grave disservice to both sides by turning away attention from the real issues to the mere mechanics of the voting procedure. "We still find people who think it is clever not to vote," says Mr. Brian Wilson, chairman of Labour Says No, while Mr. Adam Ferguson, of the Scotland Says No group, believes that the true strength of the anti-devolution feeling will never be known. "We had a nursery which telephoned to say that they were all against the assembly but were not going to vote," he says, "and we have had quite a few calls like that."

There have been other distractions from the main question: for example, the red herring of the No campaign's funds. The Yes campaign groups, the Labour movement, Scottish National Party and the Yes for Scotland group, whose members cross party boundaries, have always been suspicious of the fact that Scotland Says No receives a lot of its financial backing from business and businessmen. There is obviously some mileage to be made from this, but the point has been hammered so hard and for so long that it has diverted the argument away from any relevance it may have had to the actual issues of the campaign.

Mr. John Risk, one of the prominent Scottish businessmen on the committee of Scotland says No, admits that the main support for the organisation is coming from small and medium sized firms. But he has denied the suggestion that big business or foreign money has been flowing in. His refusal to open the books has prolonged the controversy, yet it is unlikely that even if the accounts were laid bare for inspection any great revelations would emerge. The multinationals may be against devolution, but they are sophisticated enough to realise that an assembly will make only a marginal difference to their activities and are unlikely to want to run the risk of being asked embarrassing questions from shareholders — to say nothing of auditors—by putting up huge sums to influence the campaign.

So what are the real issues? The first is perhaps more accurately a non-issue: The slippery-slope argument, which is that the assembly will lead to independence and break-up of the United Kingdom, is still popular with speakers, but does not seem to be of much concern to ordinary voters, who, if the polls are to be believed, have cooled slightly towards the prospect of a separate Scotland. Four-fifths of the Scottish electorate has always been against independence and it is understandably a little difficult to persuade them that somehow they will be pushed against their will into separation.

Much more pressing is the question of whether the assembly will lead to increased bureaucracy and government. The No argument is that it cannot fail to do so: there will be 150 politicians in the assembly itself and, even by the government's estimate, 1,000 extra civil servants on top of the 10,000-plus already in the Scottish Office. The Yes counter-argument is that by increasing the control that elected members will have over the civil service, the assembly will mean more efficiency in government and the chance to actually reduce unnecessary interference in everyday life and work.

A lot of people would like to believe this. The return of a Parliament to Scotland after more than 270 years shuold, after all, be an exciting prospect, giving the opportunity to breathe new life into tired old administrative institutions. One of the things it could do, for example, which would be popular and an effective answer to the extra-tier-of-government argument, would be to abolish the regional councils, reducing Scottish local government to one rather than the present two tiers.

But experience has led Scots ratepayers to be cynical about this sort of speculation. Local government reorganisation in Scotland is less than four years old and memories are still strong of the promises made for the new system before it was brought into being. Ironically, it was then the Conservative party which was arguing that an extra tier of government would mean more democratic control and increased efficiency — the very opposite of what it now asserts. The reality was an increase in the number of bureaucrats and a huge increase in the cost of local government passed on through the rates. Although a close watch on local authority manpower has been kept over the past three years, and costs rigidly constrained, the initial impression tends to be the one that abides and is the one now being carried over into the devolution argument.

Finally, there is the question of the powers of the assembly. Many groups, from homosexuals to the Church of Scotland social work committee, have good reason to want an assembly with responsibility over social affairs. Social legislation in Scotland has been badly neglected by Westminster and an unnecessary mess has sometimes resulted from ill-considered attempts to adapt English measures to the different circumstances of Scotland.

But the immediate concerns of most people are more apparent. An opinion poll last week showed that there is a high level of understanding about what the assembly's powers will be. Voters know that it will not be able to create new jobs or bring down prices. They need to be given a reason to support the establishment of a body which will not be able to deal with the problems they feel are most pressing.

The high level of don't knows shown up by the polls indicates that the Yes campaign has been slow to provide people with this sort of reason. It remains to be seen whether it will be able to do so in the last few days.

The great debate: Mr. Callaghan launching Scotland's Yes campaign

Letters to the Editor

Prince Charles right . . .

From the President, Association of Management and Professional Staffs

Sir,—At the annual luncheon of the Parliamentary and Scientific Committee Prince Charles (February 22) stressed that the economic recovery of Britain requires that the status and rewards of scientists and engineers in industry should rapidly be made comparable with those in Europe and the United States.

Middle managers in industry should be given full information on the policies and intentions of their companies, as it is on the credibility and effectiveness of their communications with manual, clerical and technical workers that industrial harmony depends.

He put forward the view that most industrial conflicts are the result of misunderstandings and poor communications not of bloody-mindedness. I should like to endorse these opinions and suggest that the most effective and speedy way in which these objectives can be achieved is for all members of management and professional staffs in manufacturing industries to become part of the trade union movement.

They should then set about exerting collective influence on Government and TUC and convincing the manual, clerical and technical unions that new job opportunities and higher real wages for their members depend entirely on the dedication and skill with which industrial management and professional workers invent new products, devise cheaper processes for existing products and sell our goods competitively against the rest of the world.

If these people become demotivated and apathetic as a result of loss of status and reductions in their standards of living, as has happened during the past 20 years, there is no hope that the future prosperity of this nation in a highly competitive world can be secured.

The collective representation provided by trade unions will so enable management and professional staff to persuade company boards to communicate fully and openly with them. I would further suggest that these highly desirable objectives can best be fought for in a manner acceptable to management and professional employees if they join trade unions which are devoted exclusively to the interests of this group of workers.

Maurice B. Green.
?, Station Road, ?rington, Manchester.

From Mr. J. Wates

Sir,—Prince Charles has scored a bulls-eye with his comments (February 22) on the need for more engineers and greater communication in industry.

Whereas management in England is mostly drawn from what the French call "liberal professions" (accountants, lawyers), the way to the top in France is through a technical training. Prince Charles rightly summed this up—"too few of our graduates actually go into industry—and those that do tend to have an irrelevant educational discipline."

Prince Charles's second point is that communication is a prerequisite for achieving change. Even start to get people's commitment to, or agreement with, something unless they understand what is going on. We may not end up with their total agreement, but we stand a much better chance of getting their co-operation.

As to the problems of communication within management, the rightness of Prince Charles's comments is underlined by a very recent letter I received from the national officer of one of our biggest trade unions, that there is a need "to point out clearly the absolute necessity to keep first-line supervision fully informed on a wide range of company issues and for them, in turn, to have a direct responsibility for communicating the same to the persons whom they supervise."

When even the trade unions are concerned about the lack of communication on the management side, it seems strange that Prince Charles should be criticised for raising the issue.

John N. Wates,
(Associate Adviser, Communications and Participation Department),
*The Industrial Society,
Peter Runge House,
3, Carlton House Terrace, SW1.*

. . . or wrong

From Mr. G. Batchelor

Sir,—Our Royal Prince, from a position of privilege, insulated from the cares of ordinary people and totally ignorant of the conditions under which management has to function in this country today, is most ill-advised to indulge in such a generalised and sweeping attack on British management (February 22). Certainly no good can come of it.

It is certain that the difficulties facing responsible managers must be far greater in this country than in any other in the developed world. In spite of this, it is apparent that they are coping, otherwise the country as a whole must already have sunk without trace under a sea of bureaucracy and unqualified interference.

Of course, there must be some who have failed to adjust and some who are unable to cope, but they are certainly not in the majority.

Over more than 30 years of industrial administration, I have been impressed by the high degree of sincere dedication of managers to the wellbeing, security and prosperity of the people for whom they are responsible, as a first priority. Many managers work incredibly long hours (without overtime); quite a few even on lower net take-home pay than that of many of their shop-floor colleagues, which they feel to be unfair, but they keep going.

I am sure that in a great many cases the shop-floor is as well informed on the state and general planning decisions of their company as the management. Without the training to appreciate the significance of all the information provided, the workforce must rely to a large degree on their own assessment of the sincerity of their management. It is particularly unfortunate, in these circumstances, that the credibility of management is being continually undermined by the current fashion of "management-bashing," now sadly augmented by irresponsible speeches from a quarter from which the greatest responsibility should be expected.

It should not be surprising if many people are wondering today whether Willie Hamilton might not be right after all.

G. S. Batchelor,
26, King Street, Knutsford, Cheshire.

. . . or is it Oxbridge?

From Mrs. J. Woolard.

Sir,—God bless the Prince of Wales! Of course engineers should run industry. The inevitable shock-horror reaction to his speech illustrates the ignorance of the "Oxbridge intelligentsia" at present responsible for this country.

While profits are penalised, however, companies will pay handsomely for the services of accountants and lawyers who can find and exploit legal loopholes: long-term productivity is sacrificed to short-term profitability via acquisition and financial fiddling. While shareholders continue to accept dividends without asking how they are achieved, productivity, and engineers, will continue to decline.

(Mrs.) Joan Woolard.
23, The Middlings, Sevenoaks, Kent.

Employment in textiles

From the Director, British Importers Confederation

Sir,—Mr. R. Lloyd-Jones (February 12) produced some interesting figures about employment in the textile industry.

The inference to be drawn is that the drop in employment in the textile industry is due to a substantial increase in imports. This assumption does not appear to be based on fact as is clear from paragraph 57 of the Government's Economic Service Working Paper No. 18. "The newly industrialising countries and the adjustment problem." I quote: "This estimate suggests that increase of imports of manufactures from NICs, from 1970-77, is unlikely to have displaced more than 2 per cent of the 1970 labour force of the industries concerned. The same calculation for increase of UK exports of manufactures to the NICs would suggest a roughly similar increase of employment. Any net displacement of labour resulting from trade in manufactures with the NICs was clearly quite small in relation to the gross labour displacement resulting from increase of imports from the NICs."

In spite of the play on words, the multifibre textile arrangement—is a protectionist agreement—useful for a limited period to allow our industry to modernise and equip itself so as to become competitive once again in world markets. That should be achieved by the end of 1982 when the arrangement expires and therefore the British Importers Confederation opposes the continuance of the arrangement in its present form. Already representations are being made to the EEC Commission for an extension; almost before the ink is dry.

The answer for the textile industry is not further protection but is less fragmentation and greater efficiency. The comparative advantage in producing cheaper textiles and simple articles of clothing has passed decisively to developing countries in the Third World. Protection of producers of similar quality products within the textile industry is at the expense of consumers and must inevitably create resentment within developing countries which in turn will affect our exports and reduce our overseas markets.

E. Ira Brown,
British Importers Confederation.
69, Cannon Street, EC4.

Co-operative dustmen

From Mr. K. Winckles

Sir,—Your leader (Comparability run wild, February 22) should be widely supported. The last person ever seriously considered in public service negotiations is the paymaster—be he the ratepayer or taxpayer. Perhaps ratepayers should form a union?

All Tory councils should now be encouraged to produce plans for returning many local authority services to private enterprise: and I would suggest the most practical route would be for them to help their employees to set up their own "co-operatives," and to make a sensible deal with regard to equipment. The end result, provided it finishes up in the pockets of the co-operative members, will be a massive increase in productivity, which will never be achieved under the present system.

Kenneth Winckles.
Moor House, Fishers Wood, Sunningdale, Ascot, Berks.

Advertising on BBC TV

From Mr. B. Mahoney

Sir,—Of course Mr. Dunkley (February 21) is right in drawing repeated attention to the sad run of BBC TV programmes—currently obliging more and more people to turn to radio—and not only BBC but, particularly for music, to overseas broadcasts.

The Director General is reported as having suggested that if BBC goes commercial we shall have an American-type set of programmes. But surely that is the present point: it has already happened.

Should the situation not be faced with realism? Let us cut our losses (or make and save some money at the same time). Let BBC go commercial and accept advertising. It's not immoral, for goodness' sake! Just make sure a better job is done than the other people do. At the same time, of course, cut the licence fee to a point where a really "good" BBC-historical-standards-programme-content is put out with all the current affairs programmes etc. on BBC2 only; there will be some spluttering at first, but in a few months everyone will say: why on earth didn't we do it long ago?

Any BBC dignitaries who think it "non-U" to be associated with advertising should accept that such a system might be a way of paying them on a more acceptable basis.

B. J. Mahoney.
Spindles, Brassey Road, Limpsfield, Oxted, Surrey.

Oil platforms at Statfjord

From the Information Officer, Norwegian Ministry of Petroleum and Energy

Sir,—Mr. Bjartmar Gjerde, the Minister of Petroleum and Energy of Norway, last week had fruitful discussions with Dr. J. Dickson Mabon, the British Minister of State for Energy. The result of the talks was not, however, that "a study team will look into the soil composition of the proposed new site for Stratford B" (February 9).

In the Norwegian Ministry of Petroleum and Energy we cannot see any reason to change the plans for the B-platform in the southern part of the Statfjord field and the location of an eventual C-platform in the north.

A recent report by the Statfjord Group of companies states that the difference between the seabed conditions of the southern and the northern parts of the field are not sufficiently known to decide whether the Statfjord B platform could be placed in the northern part without altering the gravity base structure. The Statfjord Group unanimously agreed that an alteration of the gravity base structure is not a practical alternative. The licensees on the Norwegian side stressed that there are no irresistible reasons to move the platform from the planned southern position to a northern location. On the contrary, the licensees are of the opinion that there are several good reasons for not moving the platform, even if it was technically feasible. The licensees on the British side state that the decision on the positioning of the B-platform should be postponed until this autumn, when more information on the seabed conditions of the northern part is available.

The companies will inevitably undertake thorough investigations of the seabed conditions of the planned location of the C-platform in the northern part of the field. At the meeting between the Ministers, Mr. Gjerde and Dr. Dickson Mabon concluded that the Statfjord Group should examine the seabed of the northern part as soon as possible. The result of the examinations will be submitted before any decision on the concept of the C-platform is taken.

As indicated above, no suggestions to move the B-platform are under consideration with the Norwegian Government. From a Norwegian point of view, one can see no reason for such a re-location. On the contrary, there are a lot of reasons against it. The British side has, however, reserved the right to come back to this question if the examination of the seabed conditions in the northern part show that the platforms can change location without altering the gravity base structure.

At the Statfjord meeting, Mr. Gjerde and Dr. Dickson Mabon agreed on two matters: licensees will be asked to carry out their planned summer seabed examination as soon as possible, and, that there will be a new meeting at Ministerial level before the final decision on the C-platform is taken.

Egil Helle,
*Ministry of Petroleum and Energy,
Oslo, Norway.*

Today's Events

GENERAL

UK: Labour Party-TUC Liaison Committee meets, House of Commons.

British Steel craftsmen meet on pay, BSC, Grosvenor Place.

National Union of Mineworkers' executive meets the Prime Minister on pay, 10 *Downing Street.*

Japanese trade mission, led by Mr. T. Matsuo, Marubeni Corporation president, arrives in London for nine-day visit.

Prime Minister gives live interview on Panorama, BBC 1.

Mr. McGregor MacKenzie, Scottish Office Minister, opens three-day Clydebank Industrial *Exhibition, Pall Mall.*

Institution of Chartered Surveyors one-day conference on energy conservation in buildings, Great George Street, SW1.

Overseas: Proposed constitution for New York Stock Exchange goes before State assembly for approval.

European Commission on Human Rights meets in Strasbourg (until March 9).

Economic and Finance Ministers from 22 Arab States meet at Arab Economic Council, Riyadh, Saudi Arabia.

International Telecommunications Exhibition opens in Dallas, Texas, (until March 2).

OFFICIAL STATISTICS

Public sector borrowing requirement and details of local authority borrowing (fourth quarter).

COMPANY RESULTS

Final Dividends: Charles Baynes, Ransome, Sims and Jeffries, Rotaflex (Great Britain). **Interim Dividends:** English Assoc. of American Bond and Shareholders, Helene of London.

COMPANY MEETINGS

See Financial Diary, Page 30.

Imperial Group's £100m capital spending

NEW CAPITAL investment of some £100m is again being provided for by the Imperial Group in the current year. Last year the group's capital programme amounted to £103.4m more than 92 per cent of which was injected into the UK businesses, the largest single investment being the continuing construction of the Berkshire Brewery.

At the year end contracts for capital expenditure totalled £25.6m (£35.3m) while capital expenditure authorised but not contracted for came to £30.3m (£49.4m.).

Short-term borrowings at £122.52m show a reduction of £67.5m. The directors point out however that this is not a straightforward comparison, in view of the new tobacco tax structure in the UK since January 1, 1978. The new basis provides for tobacco duty to be paid at a later date than was previously the case. As a result the burden of financing the duty, which the manufacturers had to bear in the past, has been largely eliminated: in practice, the directors point out, this amounts to a continuing benefit in excess of £100m.

A summary of investments shows that the main changes during the year were the disposal of the group's interests in Glenlivet Distillers, Bunzl Pulp and Paper and some Government securities. The market value of listed investments at October 30, 1978, was £255.4m, a decrease of some £24.5m compared with a year earlier.

In the year ended October 31, 1978, group profit, before tax, improved from £129.12m to £131m. On a current cost basis the profit is reduced to £60m (£48m), after additional depreciation of £43m (£35m) and cost of sales adjustment £28m (£48m). After tax and gearing adjustment £22m (£28m), the adjusted net profit is £34m (£31m).

In his annual statement Sir John Pile, chairman, says that as was anticipated attributable profits show an improvement at £123m (£109m) but the trading surplus before interest at £144m fell £6.6m short of 1977. Sales rose by 7 per cent to £3.4bn.

The chairman explains that only the brewery division improved its trading surplus. Tobacco declined slightly in a highly competitive market but this was more than offset by a full in interest charges attributable to the change in the tobacco duty payment system: the saving on this account was at least £8m.

Mainly because of improved results from associate Mardon, the surplus from the paper board packaging and plastics division was only fractionally down on last year. Despite a strong recovery in the second half the food division's performance reflected downward pressures on profitability in the food industry generally.

As regards the current year the directors state that trading results for the first quarter show a useful improvement over those of the same period last year, which had been at a depressed level.

Meeting, Dorchester Hotel, W, March 22 at noon.

● comment

Imperial Group is quietly confident about the current year. It reckons that BAT's challenge in the home cigarette market is fading, while the chances of a really big duty rise on tobacco in the April 3 Budget look less than they did a few weeks ago (though a small increase is still probable). Prospects are sound in brewing, where Courage has safely received the go-ahead for price rises. And in food the poultry business seems to be recovering from last year's recession, while the impact of the hard winter on fresh vegetable prices is an ill wind that will blow Imps' frozen foods side a lot of good. The intriguing aspect remains the group's acquisition philosophy, given that its balance sheet still includes a treasure chest containing £146m of BAT shares and £97m of gilt-edged. The message is that Imps has thought about but has rejected risky propositions like Lyons or Spillers—though it went for Eastwood because it was confident it knew how to turn that company round. And like many other large groups Imps is searching in the U.S., but has failed to come up with the right answer yet.

Brighter hopes for nickel

BY KENNETH MARSTON, MINING EDITOR

THE BELIEF that "1979 may well mark the end of the severe decline and the beginning of a recovery in the nickel business" is expressed by Mr. J. Edwin Carter, and Mr. Charles Baird, respective chairman and president of Inco, in their annual report.

They warn, however, that 1979 operating results will continue to reflect the severe pressures of the second half of last year, particularly in regard to inadequate nickel prices and the cost of the continuing strike which began in mid-September, at the Sudbury, Ontario, operations.

Inco's net earnings fell last year to U.S.$77.8m (£38.7m) or 77 cents per share, from $99.9m or 1.24 cents per share in 1977.

Net sales in 1978, however, rose to $2.08bn from $1.95bn. Nickel deliveries were 21 per cent up at 377m lbs and stocks were reduced by 111m lbs to 230m lbs.

But the group suffered increased costs and the average nickel price received dropped from $2.17 to $1.98 per pound.

Last year the falling off of spending on the new Guatemalan and Indonesian nickel projects resulted in Inco's capital expenditure dropping to $220m from $433m in 1977. Spending is expected to decline further this year to about $150m.

Although heavier interest charges are expected now that the Guatemalan and Indonesian projects are fully accounted for as operating units, Inco should enjoy better prices for its metals this year. Apart from nickel, the price of which has improved modestly to just over $2 per lb in the free market, these include substantial outputs of copper, platinum and cobalt.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims — Campari International, English Association of American Bond and Share Holders, Helene of London, Jos Holdings.

Finals—Charles Baynes, W. Canning, Ransomes Sims and Jefferies, Rotaflex.

FUTURE DATES

Interim—	
Diploma	Mar. 1
Finals—	
Braime (T. F. and J. H.)	Feb. 27
Clarke (T.)	Mar. 15
Davies and Metcalfe	Mar. 8
"Investing in Success" Equities	Feb. 27
Liverpool Daily Post and Echo	Mar. 21
Oliver (George)	Mar. 2

Row building up over Throgmorton switch

BY TERRY GARRETT

The Board of Throgmorton Secured Growth Trust and the trustees of the capital loan stock could be set for a head-on collision over Throgmorton's sale of part of its Transport stock holding to buy a longer dated Gas stock.

The actual switch of investment took place late in 1977, but shareholders were unaware of the change in holdings until Throgmorton sent out its report and accounts last October covering the year ended July 1978.

According to the chairman's statement: "During the year conditions arose in the gilt-edge market which resulted in British Transport 3 per cent stock 1978-1988 achieving a premium rating over broadly similar stocks. Your directors considered that a partial switch from that stock to British Gas 3 per cent 1990-95 would show running benefits to the revenue account while preserving the potential gain to capital loan stockholders."

However, the switch poses the question of whether the conditions of the capital stock's Trust Deed have been broken. Some stockholders obviously think they have, for the trustee has been approached in order to raise the question with the company.

As far as the trustee is concerned, it does not matter whether the switch is a sound investment decision. Once approached by a stockholder, he must act and indeed he has been in consultation with the company since last November, though it now looks as if the disagreement is coming to the boil.

The problem lies in how the original documents are interpreted. The prospectus stated that two-thirds of the trust's initial resources would be invested in Transport stock. The prospectus then went on to show how the Transport stock would appreciate to its redemption date in 1988. Under the heading of "Effect on capital loan stock-holders" the prospectus states that "the essence of the capital loan stock is that each £100 subscribed will carry the right to the assured appreciation on the Transport Stock, which is equivalent to £145 . . ."

Latest in the prospectus under particulars of the debenture stock, it states that "powers will be reserved to the company at any time to substitute . . . part of the Transport stock . . ."

However, the deeds relating to the capital stock do not mention this point. Even the managers will admit that the documentation is depressingly vague.

It appears that some holders bought stock on the basis that there would be a specific value on the capital stock when Transport is redeemed in 1988.

Assuming that the switch had not been made the sums would have gone like this. On December 1 1988 the company would have repaid 99p per £1 nominal of the capital stock, leaving a holding of 1p with the underlying asset of all the increase in the value of the Transport stock, worth some 54p, plus the capital value of the equity portfolio, probably worth around £1 on the latest figures.

Stockholders could then have applied for the company to purchase the outstanding loan stock (that is the 1p in the pound left unpaid) which would have been worth around 154p.

It is this figure which is now in some doubt. The managers have kept enough Transport stock to repay in 1988 the debenture stock and the 99p in the pound for the capital stock. So that is sound enough. No one can, or ever could, guarantee the underlying value of the equity portfolio anyway, but the full 54p on the appreciation of transport is unlikely to be there as the Gas stock will not be redeemed for another seven years.

The managers say that the Transport stock, which is attractive to high rate tax payers, had run up in price and so it was sensible to take a profit and invest in the longer dated Gas stock where the price had not been lifted by the interest of private buyers.

The managers' argument is that by 1988 the fund will have the right profile to benefit from a rise in the Gas price as it too becomes more interesting to private buyers. The trust does not have to be wound up and under the repayment provisions only 10 per cent of the total outstanding capital stock could be repaid each month. So the managers are treating the trust as a continuing investment vehicle.

They obviously thought it was the right move to take, but if the lawyers finally agree that the Trust Deed have been broken what are the options?

Certainly the winding up of the trust would be of no real advantage to the capital holders. The managers could call a meeting and ask investors to vote. Nobody questioned the switch at the annual meeting and the company claims that it has received few letters on the subject so presumably most holders are happy. Either that or they do not appreciate that the investment in Gas could change the underlying value of the trust in 1988.

Another alternative would be for someone, such as Keyser Ullmann, the Fund managers, to underwrite the value of the capital units as if the switch had not taken place, for those who want to cash in their investment at the end of 1988.

Probably the fund managers would prefer a meeting and a vote. Judging by stockholder activity so far a meeting might well ratify the investment in the Gas stock.

Whatever the outcome, the whole story illustrates how these complicated trusts can be fraught with problems.

Howard ready for upswing

A cutback in manufacturing facilities without a loss of capacity and a move away from short-term borrowing has been achieved by Howard Machinery. The company can now look forward with confidence says Mr. P. Coleclough, the chairman.

"In 1978 the farm machinery trade did not achieve any real recovery, but, as a result of our management efforts, we are a leaner organisation ready to take advantage of the upswing in trade which must occur in the years ahead." he comments.

Though the reduction in stock and work in progress did not reach target the group inventory was reduced in real terms during 1977/78, he points out. At the year end stocks amounted to £26.48m (£24.28m) which he does not consider excessive. Efforts to reduce them are continuing.

Redundancy, closure and reorganisation costs, less profit on sale of factories, amounted to £769,000, more than wiping out the attributable surplus for the year to October 31, 1978. To conserve funds to meet a market recovery the dividend is almost halved to 1.12p (2.233p).

At the pre-tax level, however, the group showed improvement in profits on the previous year's depressed £1.59m, with £2.26m but this was still down on the record £4.65m reached in 1973/74—as reported February 16.

The switch in borrowing was reflected in the balance sheet which showed bank overdrafts and short term loans sharply down £1.43m (£5.62m) while medium and long term loans were ahead to £11.52m (£6.59m).

The latter included a new unsecured term bank loan of £6.06m of which £1.06m becomes payable in equal half-yearly instalments between 1981 and 1985. Year end bank balances and cash were up from £0.38m to £2.07m.

Exports during 1977-78 were £14.61m (£14.08m) and a geographical analysis of group sales shows in percentages: UK 40 (43); the rest of the EEC 31 (29) Australasia 6 (8); North America 6 (6); the rest of Europe 5 (6); South East Asia and Japan 9 (3); Africa 2 (same) and Middle East 1 (same).

The average number of employees for the period was lower at 2,097 (2,444) and since year end the factory at Washington in the UK and the foundry in Germany have been sold. UK manufacture is now concentrated in East Anglia and research, development and engineering facilities have been centralised at Saxham.

In Australia an assembly plant and warehouse has been sold, and prospects for 1979 in that country look much brighter the directors say.

BIDS AND DEALS

EMI selling interest in BL distributor

EMI HAS agreed to sell, subject to contract, its 69 per cent interest in the equity of Brown and Mallalieu to Dutton-Forshaw Group for £370,000 cash.

Brown and Mallalieu is a BL distributor in the Blackpool area. Dutton-Forshaw will also acquire the balance of the capital for cash or shares. The consideration for the whole will amount to £560,000, approximating the value of the underlying net assets. Trading profits of Brown and Mallalieu before interest and tax for the year ended June 30, 1978, amounted to £72,000.

BL Cars has approved the merger with Dutton-Forshaw, which operates the only other BL distributorship in the area. Completion is expected to take place by the end of March.

shares (11.26 per cent).

Thomas Warrington — Intel Investment Fund now holds 202,500 shares (6.73 per cent).

Associated Biscuit Manufacturers—Rowntree Mackintosh has acquired a further 100,000 shares, increasing equity stake to 20 per cent, the level for which it was aiming in order to consolidate ABM as an associate.

BOOTS DEAL IN SPAIN

The Boots Company has acquired a 50 per cent shareholding in Laboratorios Liade, S.A., a Spanish-owned pharmaceutical company located in Madrid.

Liade ranks as the twelth largest pharmaceutical company in Spain. Boots plans to launch through Liade its new anti-rheumatic product Froben.

AGI ACQUIRES MILLIGAN ELECT.

Aeronautical and General Instruments has acquired Milligan Electronics, a private company based in Surbiton, for a consideration of £105,000 cash.

Results for the year to October 6, 1978 showed a pre-tax loss of £5,260. Projections for the current year indicate a return to satisfactory profitability, which should be further assisted by the company joining AGI.

Milligan designs, manufactures and sells electronically enhanced enlarging and printing equipment for aerial photographs, which closely complements AGI's range of aerial reconnaissance equipment.

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Jacksons Bourne End (Section: Industrials).

Storage Technology Corporation (Section: Overseas-New York).

UNC Resources (Section: Overseas-New York).

SHARE STAKES

Granada Group — Trust of which Mr. W. R. Carr is a joint trustee with no beneficial interest sold 51,000 ordinary shares at 123½p on February 15.

Fidelity Radio — Mrs. B. Dickman, wife of the managing director, sold 30,000 ordinary shares on February 21.

Bell and Sime — May and Hassell now holds 45,050 ordinary

Lincroft Kilgour chairman confident

AS THINGS are going at the present time at Lincroft Kilgour Group, Mr. Anthony Holland, the chairman, is confident that profits for the current year will be more than sufficient to justify an increase in the dividend by the maximum allowed.

Following the rationalisation and re-equipment programme over the last two years, the menswear manufacturing division, he says, is regaining its competitive edge, reflected in a satisfactory forward order position.

And sales in the cloth merchanting division have advanced in the first few months of the year, and are running at a satisfactory level, he adds.

As reported on January 19 taxable profits, as expected, did not reach the previous year's record £1.04m and finished at £875,170 for the September 30, 1978, year. The dividend was lifted from 3.5p to 3.9p per share.

It was in the cloth merchanting division that the consolidation exchange losses and the downturn in trading profits occurred, says Mr. Holland. The division relies heavily on exports and these were lower than expected due to a general slowing down of world trade; "As is usual in a depressed market, margins also suffered."

Meeting, 116 Pall Mall, S.W., on March 20 at 12.30 pm.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	12½	½-year	250	3-4
Barnsley Metro. (0226 203232)	13	½-year	250	5-7
Exeter (0392 77888)	13	½-year	500	6-7
Knowsley (051 548555)	12½	½-year	1,000	5-7
Reading (0734 592325)	14½	maturity	1,000	6-7
Redbridge (01-478 3020)	12½	½-year	200	4-5
Sefton (051 922 4040)	13	½-year	2,000	5-7
Wrekin (0952 505051)	13½	yearly	1,000	5-10

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 9.3.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12¾	13	13	13¼	13½	13½	13½	13½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

General Motors consider engine plant in Austria

BY PAUL LENDVAI IN VIENNA

A MISSION of experts from General Motors Corporation the U.S. motor corporation, has this weekend been touring the Austrian provinces of Styria and Carinthia in search of an ideal site for a subsidiary plant.

The American executives last week conducted preliminary talks in Vienna with Professor Adolf Nussbaumer, the Secretary of State in the Federal Chancery, and other Austrian Government officials.

General Motors is said to be interested in setting up an engine plant with a production staff of 1,000.

The final decision will evidently depend on the extent of the subsidies and grants the Federal Government and the provinces concerned are willing to offer.

It is generally assumed that the provincial government of Styria is particularly ken on the projected motor plant, because the area of Judenburg, one of the main speical steel plants, is in serious difficulties, with some 1,200 workers likely to be laid off later this year.

No further details are yet available about the projected plant.

As reported earlier, Austria is competing with France for a much larger car project involving the Ford Motor Company.

Meanwhile, OEMV, the Austrian State oil corporation, and Fairchild, the U.S. electrical company, are reported to have agreed on the essentials of a joint project in Vienna involving an estimated investment of Sch1bn (about $80m).

The plant would turn out semiconductors worth Sch400m to Sch500m per annum, with a production staff of 750 to 1,000.

The operating company would have a capital of Sch200m held in equal shares by the two sides. OEMV's engagement is part of efforts to diversify its operations in view of the shrinking crude oil reserves in Austria.

Fairchild will build the plant and provide the know-how, worth Sch220m, to be repaid by the new company over a period of ten years in equal instalments.

About four-fifths of the output would be marketed by the U.S. company.

Concrete talks between OEMV and Fairchild began last November, and it is estimated that the plant could go on-stream within six months of signing the final contract.

Write-offs cut into Gotaas Larsen

By Fay Gjester in Oslo

GOTAAS LARSEN, ship and rig-owning subsidiary of the U.S. conglomerate IU International, made an operating profit after depreciation of $42.6m last year, on revenues of $157m, compared with $34.5m, on revenues of $158.1m in 1977, Mr. Kenneth Trippe, president and chief executive officer, told a Press conference in Oslo.

Depreciation was about the same in both years—$25.6m in 1978 and $26m in 1977. Mr. Trippe attributed last year's higher profit to increased productivity in all sectors of operations apart from tanker shipping.

Despite the improved operating profit the net result for 1978 was a loss of $55.3m after taxes, foreign exchange outlays and "special adjustments," totalling $49.8m. This compared with a loss of $1.5m in 1977, when there were no special adjustments.

T. Group cancelled one of the two LNG tankers on order with a Japanese yard, since demand for LNG capacity seemed to be developing more slowly than originally foreseen.

This cancellation cost the company $27m in a book write-off, part of the end-1978 special adjustments

In addition, a charter-in on a VLCC was written off, and the value of an ultra-large crude carrier which Gotaas Larsen planned to sell, was written down by $18.9m.

Surveying the company's activities, Mr. Trippe described the cruise business, in which Gotaas Larsen has extensive interest, as "excellent, and getting better every year." In the rig trade, despite the present glut of rigs in the North Sea, there were "pockets of opportunity." The company's rig management firm, Golar-Nor, had made money in 1978, and was expected to do so this year. Golar-Nor operates the company's own rigs and others. The chemical carrier trade, another Gotaas Larsen activity, was "looking very good."

First bond issue for Jordan private concern

By Rami G. Khouri in Amman

THE FIRST issue of bonds for a private corporation in Jordan will be floated shortly by the newly-founded Arab Finance Corporation (Jordan) on behalf of Jordan Cement Factories, AFC (Jordan), Dr. Khalil Salim, the director-general, announced during the weekend.

The JD 5m issue (about $15m) will have staggered maturities and an average life of seven years, with a three-year grace period. The interest rate, Dr. Salim suggested, would be about 7 or 8 per cent.

The bond issue is the local half of a $30m financing package the cement company is putting together to finance the cost of a fifth kiln expansion which is already under way. Arab Finance Corporation, Morgan Grenfell and Chase are putting together a $15m credit internationally, through a small syndicate

Canadian dollar's setback boosts company profits

MONTREAL — CANADIAN CORPORATE profits, continuing to benefit from a weak Canadian dollar and improved markets for export-oriented industries, jumped 43 per cent in the fourth quarter of 1978 to $1.72bn from $1.21bn in the like 1977 period, according to a survey of 140 companies.

The results exceeded expectations of many economists and analysts who now believe the *pace of earnings improvement* will slow down this year. "The profit gains this year will not be as large as in 1978, but further improvement is expected," says Wood Gundy.

"Wage settlements will be higher this year but no pronounced acceleration in unit labour costs is expected," Greenshields comments. It adds that this together with "some scattered benefits" from the removal of price controls "points to another year of corporate profit growth in excess of the overall rise in national income."

A previous compilation showed 1978 third quarter profits increased 28 per cent to $1.26bn from the like year earlier period.

AP-DJ

Food Fair loss rises

PHILADELPHIA — Food Fair, the supermarket group which is operating under Chapter 11 of the Federal Bankruptcy Act reported an unaudited consolidated loss from continuing operation for the four weeks ended January 13 of $401,000 on gross revenues of $88.8m.

The company said that Chapter 11 administrative costs of $429,000 brought its net loss to $830,000.

AP-DJ

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*AAH	Mar. 6	Int. 2.75
Armstrong Equipment	Mar. 21	Int. 0.8
Ault and Wiborg	Mar. 10	Final 1.3
Aurora	Mar. 30	Final 3.98
BPM	Mar. 28	Int. 0.8125
*BSR	Mar. 9	Final 3.507
BTR	Mar. 8	Final 4.62
Barratt Developments	Mar. 8	Int. 2.64
Barrow Hepburn	Mar. 13	Final 1.9331
Bell (Arthur)	Mar. 15	Int. 2.25
Booker McConnell	Mar. 22	Final 3.952 tcst
Bowring (C. T.)	Mar. 22	Final 2.0393
British Aluminium	Mar. 22	Final 30.0 tcst
British Petroleum	Mar. 16	Final 15.121
*British Vita	Mar. 1	Final 1.09
Brooke Bond Liebig	Mar. 14	Int. 0.8319
Collins (William)	Mar. 16	Final 2.553
*Commercial Union	Feb. 27	Final 5.081
Ductile Steels	Mar. 14	Int. 1.9261
*EMI	Mar. 1	Int. 3.41
English Property	Mar. 30	Final 1.05 tcst.
Expanded Metal	Mar. 20	Final 2.08
Fairclough Construction	Mar. 14	Final 1.386
*Fisons	Mar. 27	Final 7.364
*General Accident	Feb. 28	Final 4.347
Hall Engineering	Mar. 17	Final 2.2128
Hepworth Ceramic	Mar. 20	Final 1.75
*HK and Shanghai Banking	Feb. 27	Final HK$0.47
*Hoover	Mar. 1	Final 9.21
House of Fraser	Mar. 31	Final 3.0776
*Howden (Alexander)	Mar. 29	Final 4.03
Jacobs (John I.)	Mar. 15	Final 1.2991
Johnson and Firth Brown	Feb. 28	Int. 1.3
*Kleinwort Benson Lonsdale	Mar. 13	Final 2.4702
LWT	Mar. 30	Int. 3.555
Ladbroke	Mar. 29	Final 4.0
Laird Group	Mar. 27	Final 2.937 tcst
Legal and General Ass.	Mar. 29	Final 3.66
Lex Service	Mar. 9	Final 2.7 tcst.
*Liverpool Daily Post	Mar. 21	Final 4.585
London Shop Prop.	Feb. 23	Int. 0.866
*Low and Bonar	Apr. 2	Final 7.39
Lucas Industries	Mar. 30	Int. 2.334
*Metal Closures	Mar. 20	Final 2.5136
*Midland Bk.	Mar. 9	Final 1.75
*NatWest	Feb. 27	Final 6.3228
Newman Tonks	Mar. 20	Int. 3.559 tcst.
Prudential Ass.	Mar. 30	Final 4.198
*Ransomes Sims and Jefferies	Feb. 26	Final 6.036
Reckitt and Colman	Mar. 30	Final 5.56478
*Rentokil	Mar. 1	Final 0.861
Rockware	Mar. 22	Final 3.2845
Rolls-Royce Motors	Mar. 13	Final 2.4572
*Royal Insce.	Mar. 1	Final 9.936
Schroders	Mar. 22	Final 8.4401
*Shell Transport	Mar. 8	Final 6.882
Slough Estates	Mar. 29	Final 1.515
Smith and Nephew	Mar. 16	Final 1.6185
*Steetley	Mar. 15	Final 3.9652
Stone-Platt Inds.	Mar. 29	Final 1.33
Tilling (T.)	Mar. 22	Final 2.315
Tube Investments	Mar. 22	Final 11.124
*Turner and Newall	Mar. 6	Final 6.0955
*Unilever	Mar. 6	Final 7.84
United Biscuits	Mar. 14	Final 3.534
Vosper	Mar. 14	Final 2.5 tcst.
Walker (Jas.) Goldsmith	Mar. 15	Int. 1.0
Waterford Glass	Feb. 28	Final 0.7395
Weir Group	Mar. 21	Final 3.508
Willis Faber	Mar. 20	Final 6.125
Wolseley-Hughes	Mar. 16	Int. 3.2275

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from February 17

	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	14	14¼	14½	15	15	15
Over 5, up to 10	14½	14½	14¾	15	15	15¼
Over 10, up to 15	14½	14½	14¾	15	15¼	15¼
Over 15, up to 25	14½	14¾	14¾	15¼	15¼	15¼
Over 25	14½	14¾	14¾	15¼	15¼	15¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978/79 High	Low	Stock	Closing Price p	+ or −	Net Dividend	Times Covered	Gross Yield	P/E Ratio
55	F.P.	20/2	123	66	Caledonian Hldgs.	123	+3	♦7.5	1.6	8.9	10.5
**	F.P.	16/2	138	118	Hunting Assoc. Defd.	138	+17	—	—	—	—
**	F.P.	9/2	39	31	M.Y. Dart Defd.	39	+1	—	—	—	—
95	Nil	—	5pm	3pm	Sedgwick F. New 10p	3pm	—	75.0	2.1	7.7	9.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978/79 High	Low	Stock	Closing Price £	+ or −
¶¶	F.P.	16/2	100p	102p	Assoc. Dairies 9¼% Pref.	103p	+
§100p	F.P.	28/12	100p	98p	Findlay 8% Cnv. Cum. Red. Prf.	100p	
98	£10	27/4	9¾	9¼	Mid-Southern Water 8% Red. Pref 1984	9¾	
100p	F.P.	11/1	107p	103p	Rivington Reed 9½% Cnv. Cum. Red. Pref.	107p	
**			9¾	96p	Shaw Carpets 10¼% 2nd Cum. Pref. £1	96p	

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978/9 High	Low	Stock	Closing Price p	+ or −
125	F.P.	9/3 23/3	171	154	Baker Perkins	156	+5
C$15	Nil	—	34pm	18pm	Bank of Nova Scotia	18pm	
60	Nil	6/3 27/4	10pm	6pm	Burco Dean	10pm	
330	F.P.	14/2 6/4	274	258	Haslemere Estates	274	+2
20	Nil	—	5pm	2pm	Hawkins & Tipson	5pm	
67	Nil	7/3 20/4	13pm	7½pm	Macpherson (D)	13pm	−1
58	F.P.	26/2 26/3	64	61	Montfort	61	−1½
225	Nil	—	19pm	7pm	Rank Org.	18pm	+3
27	Nil	—	9pm	6pm	Sekers Intl.	9pm	
10	F.P.	22/1	17½	14½	Suter Electrical Defd.	17	
12	F.P.	14/2 14/3	26½	23	Swan Ryan Intl.	26¼	
315	Nil	—	37pm	28pm	Taylor Woodrow	30pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

BASE LENDING RATES

A.B.N. Bank	13½%	■ Hambros Bank	13½%
Allied Irish Banks Ltd.	13½%	■ Hill Samuel	§13½%
Amro Bank	13½%	C. Hoare & Co.	†13½%
American Express Bk.	13½%	Julian S. Hodge	14½%
A P Bank Ltd.	13½%	Hongkong & Shanghai	13½%
Henry Ansbacher	13½%	Industrial Bk. of Scot.	13½%
Associates Cap. Corp.	14%	Keyser Ullmann	13½%
Banco de Bilbao	13½%	Knowsley & Co. Ltd.	14%
Bank of Credit & Cmce.	13½%	Lloyds Bank	13½%
Bank of Cyprus	13½%	London Mercantile	13½%
Bank of N.S.W.	13½%	Edward Manson & Co.	14½%
Banque Belge Ltd.	14%	Midland Bank	13½%
Banque du Rhone et de la Tamise S.A.	14%	■ Samuel Montagu	13½%
Barclays Bank	13½%	■ Morgan Grenfell	13½%
Bremar Holdings Ltd.	14½%	National Westminster	13½%
Brit. Bank of Mid. East	13½%	Norwich General Trust	13½%
■ Brown Shipley	13½%	P. S. Refson & Co.	13½%
Canada Perm't Trust	13½%	Rossminster	13½%
Cayzer Ltd.	13½%	Royal Bk. Canada Tst.	13½%
Cedar Holdings	13½%	Schlesinger Limited	13½%
■ Charterhouse Japhet	13½%	E. S. Schwab	13½%
Choulartons	13½%	Security Trust Co. Ltd.	14½%
C. E. Coates	13½%	Shenley Trust	15%
Consolidated Credits	13½%	■ Standard Chartered	13½%
Co-operative Bank	*13½%	Trade Dev. Bank	13½%
Corinthian Securities	13½%	Trustee Savings Bank	13½%
Credit Lyonnais	13½%	Twentieth Century Bk.	14½%
Duncan Lawrie	13½%	United Bank of Kuwait	13½%
The Cyprus Popular Bk.	13½%	Whiteaway Laidlaw	14%
Eagil Trust	13½%	Williams & Glyn's	13½%
English Transcont.	13½%	Yorkshire Bank	13½%
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	14%		
■ Antony Gibbs	13½%		
Greyhound Guaranty	13½%		
Grindlays Bank	‡13½%		
■ Guinness Mahon	13½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1-month deposits 11½%.
† 7-day deposits on sums of £10,000 and under 11%, up to £25,000 11½% and over £25,000 11¾%.
‡ Call deposits over £1,000 11%.
§ Demand deposits 11%.

CURRENCIES, MONEY and GOLD

Pharaoh's dream returns

BY COLIN MILLHAM

The parable of the wise and foolish virgins may be appropriate for those applying for gilt-edged tap stock issues, but members of the London discount market would be better served in study Genesis, chapter 41, verses 28 to 31.

Pharaoh's dream of the fat and the leanfleshed kine, and Joseph's interpretation thereof, has come true too often recently, but the periods of plenty and famine have lasted but one year, not seven.

Some may claim that they have studied the lessons and taken appropriate action while others will say that just like the ancient Egyptians they prefer to hope that a large store of corn built up during the good years will see them through the famine.

Three discount houses have produced annual figures so far this year, and they have all been much worse than the previous year, but the houses may not be too dispirited considering the difficult circumstances under which they have laboured.

Alexanders Discount will obviously have to live off its *store of corn*, since the profit of £300,000 for 1978 was struck only after making a transfer from the contingency reserve. The profit in 1977 was over £2m. Union Discount's profit of £1.8m last year compared with over £6m in 1977, but Union may also be moving towards Alexander's philosophy, since the company has recently announced the sale of Udisco Bonds, its principal subsidiary, which could at least be counted on to make some profit contribution during the *famine in the discount market.*

Gillett Brothers profit of £212,932 for the past financial year, compares with £1m previously, and was made only with the help of the brokers, Kirkland Whittaker, which does tend to give Gillett's a more even profit pattern than some other houses.

With Minimum Lending Rate at 14 per cent and likely to fall, the houses are hoping for much better profits this year than last, but it would take another Joseph to say what 1980 will bring.

GOLD

	February 23	February 22
Gold Bullion (fine ounce)		
Close	$251¼-252¼	$253¼-254
Opening	$252¼-253¼	$249¼-250¼
Morning fixing	$252.10 (£125.433)	$251.15 (£124.951)
Afternoon fixing	$251.00 (£124.876)	$252.55 (£125.547)
Gold Coins, domestically		
Krugerrand	$263¼-265¼ (£141-143)	$265½-269¼ (£145-144)
New Sovereigns	$70½-72½ (£35-36)	$70½-72½ (£35-36)
Old Sovereigns	$74-76 (£36¾-37¾)	$74-76 (£36½-37½)
Gold Coins, internationally		
Krugerrand	$259-261 (£129-129½)	$259½-261½ (£129-130)
New Sovereigns	$65-67 (£32¼-33¼)	$66-68 (£32¼-33¼)
Old Sovereigns	$74-76 (£36¾-37¾)	$74-76 (£36½-37½)
$20 Eagles	$318-323	$318-323
$10 Eagles	$175-180	$175-180
$5 Eagles	$120-125	$121-126

CURRENCY RATES

February 23	Bank rate %	Special Drawing Rights	European Unit of Account
Sterling	13½	0.641150	0.674021
U.S. $	9½	1.28658	1.35411
Canadian $	11¼	1.54249	1.61938
Austria Sch.	4½	17.4820	18.3649
Belgian F	6	37.6473	39.6635
Danish K	8	6.63072	6.96621
D mark	3	2.38660	2.50781
Guilder	6½	2.57704	2.70849
French Fr.	9½	5.50778	5.78610
Lira	10½	1082.66	1138.80
Yen	3½	259.250	272.514
Norwgn. K	6	6.56050	6.89918
Spanish Pes.	8	89.0161	93.5621
Swedish Kr.	6½	5.61730	5.90499
Swiss Fr.	1	2.15347	2.26204

THE DOLLAR SPOT AND FORWARD

Feb. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	2.0075-2.0155	2.0115-2.0125	0.45-0.35c pm	2.39	0.97-0.87 pm	1.83
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† U.S. cents per Canadian $.

THE POUND SPOT AND FORWARD

Feb. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0075-2.0155	2.0115-2.0125	0.45-0.35c pm	2.39	0.97-0.87 pm	1.83
Canada	2.4000-2.4120	2.4080-2.4090	0.50-0.40c pm	2.24	1.25-1.10 pm	1.95
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 59.85-59.95. Six-month forward dollar 1.55-1.45c pm; 12-month 3.25-3.35c pm.

OTHER MARKETS

Feb. 23	£	$		Note Rates
Argentina Peso	2190-2210	1087-1097	Austria	28.75-27.75
Australia Dollar	[illegible]	[illegible]	Belgium	59.60
Brazil Cruzeiro	44.08-45.08	21.90-22.40	Denmark	10.28-10.38
Finland Markka	[illegible]	[illegible]	France	8.54-8.64
Greek Drachma	[illegible]	[illegible]	Germany	3.65-3.75
Hong Kong Dollar	[illegible]	[illegible]	Italy	1,660-1,710
Iran Rial	148.80-158.80	74-79	Japan	402-412
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc.	[illegible]	[illegible]	Norway	10.18-10.28
Malaysia Dollar	[illegible]	[illegible]	Portugal	90-97
New Zealand Dlr.	[illegible]	[illegible]	Spain	139-144
Saudi Arab. Riyal	[illegible]	[illegible]	Switzerland	3.30-3.40
Singapore Dollar	[illegible]	[illegible]	United States	2.0050-2.0150
Sth. African Rand	[illegible]	[illegible]	Yugoslavia	40.5-43.5

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Feb. 23	PoundSterling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.012	3.723	405.5	8.595	3.383	4.023	1691.	2.409	58.75
U.S. Dollar	0.497	1.	1.851	201.5	4.272	1.671	1.999	840.5	1.197	29.20
Deutsche mark	0.269	0.540	1.	108.9	2.307	0.903	1.080	454.0	0.647	15.77
Japanese Yen 1,000	2.466	4.963	9.186	1000.	21.20	8.298	9.920	4170.	5.940	144.9
French Franc 10	1.163	2.341	4.334	471.8	10.	3.912	4.680	1967.	2.802	68.35
Swiss Franc	0.297	0.598	1.108	120.6	2.556	1.	1.196	502.9	0.716	17.47
Dutch Guilder	0.249	0.500	0.926	100.8	2.137	0.836	1.	420.4	0.599	14.61
Italian Lira 1,000	0.591	1.190	2.203	239.8	5.083	1.988	2.379	1000.	1.424	34.74
Canadian Dollar	0.415	0.835	1.547	168.4	3.569	1.396	1.670	702.1	1	24.39
Belgian Franc 100	1.702	3.425	6.340	690.2	14.63	5.723	6.847	2878.	4.100	100.

LONDON MONEY RATES

Feb. 23 1979	Sterling Certificate on deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	7-20	—	—	—	—	9-14	—	—	—
2 days notice	—	—	13½-15	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14½	13½-15	—	14	14	13⅛-13¾	—	—	—
One month	13⅝-13½	13 9/16-13⅝	13¾-13⅝	13⅛-13⅞	13⅝	13¾	13-13¼	12 [illegible]	13⅛	13⅞
Two months	13⅜-13⅛	13 [illegible]	—	13⅛-13⅜	13⅝	13⅛	12⅝-12¾	12 [illegible]	12⅞	13¾
Three months	12⅞-12¾	12 [illegible]	13⅛-13¼	12⅞-13⅛	13⅝	—	12½	12 [illegible]	12⅝	13⅛
Six months	12⅝-12¼	12 [illegible]	12⅝-12⅞	12¼-12⅝	13	—	—	—	11½	13
Nine months	12⅛-12	12 [illegible]	—	12-12⅝	12⅝	—	—	—	—	—
One year	12-11⅞	12-12⅛	13¼-12¾	12-12⅜	12½	—	—	—	—	—
Two years	—	—	13⅝-12¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 12⅞-13⅛ per cent; four years 13-13⅛ per cent; five years 13-13¼ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11 [illegible] per cent; four-month trade bills 13 per cent.

Approximate selling rates for one-month Treasury bills 11 [illegible] per cent; two-month 12 [illegible] per cent; three months 12⅛ per cent. Approximate selling rate for one-month bank bills 13⅛ per cent; two-month 12 [illegible] per cent and three-month 12⅛ per cent; one-month trade bills 13¾ per cent; two-month 13⅜ per cent; and three-month 13 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from February 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 13½ per cent. Treasury Bills: Average tender rates of discount 12.2281 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	9.9375
Treasury Bills (13-week)	9.39
Treasury Bills (26-week)	9.51

GERMANY

Discount Rate	3
Overnight Rate	3.95
One month	3.85
Three months	4.15
Six months	4.25

FRANCE

Discount Rate	9.5
Overnight Rate	6.5625
One month	8.9375
Three months	7.0625
Six months	7.3125

JAPAN

Discount Rate	3.5
Call (*Unconditional*)	4.375
Bills Discount Rate	4.625

INSURANCE

Tax avoidance—the legitimate way

BY OUR INSURANCE CORRESPONDENT

IT HAS long been the law of the land, established by the House of Lords in judgments on tax disputes brought *before* them, that each citizen is entitled to arrange his financial affairs to minimise the amount of tax, whether it be what he pays during life or what his estate pays on death. This law has long afforded insurance brokers and companies considerable scope for plans, some of great ingenuity, designed to assist the citizen in his legitimate purpose of avoiding taxes. Successive Finance Acts contain provisions, designed by the Treasury, to curb tax avoidance plans which, in the Government's view, have amounted to tax evasion schemes.

Most plans depend for their viability on tax relief laws applicable to life assurance premiums and the receipt of life assurance money on death or maturity. But life assurance stands apart and the tax benefits the state allows the life policyholders are not applicable to his related health and disability insurance.

So the holder of a disablement policy, whether annually renewable or non-cancellable PHI, gets no tax relief on the premiums he pays and is liable for income-tax on the benefit he received, in theory, from the first payment onwards. By Revenue practice, however, the disabled policyholder is allowed a tax holiday up to the end of the first full tax year in which he receives continuous payment. So, for the very seriously disabled policyholder, this tax holiday can last for almost two years if his claim starts in May. But, eventually, for all long-term disablement policyholders, there must come a day of reckoning in early April when their insurance benefits come under the tax-man's axe and are treated as unearned income and subjected to the investment income surcharge.

Of course, relatively few people are disabled for as long a period as two years, but those few are likely to remain permanently disabled. There is a clear, albeit low, percentage risk for every one of us.

Among the 40 or so companies selling PHI is Medical Sickness, which provides cover for the medical profession and, through its subsidiary Permanent Insurance, for people in "non-hazardous" (sedentary *and professional*) occupations.

Medical Sickness has just come up with a new plan—its Income Shield Policy—which it will be marketing in April, and which has been specifically designed to protect the long term disabled claimant from the tax-man. Since there is no copyright in this kind of plan, it may well be that other insurers in the PHI market will bring out similar schemes.

The Income Shield Policy combines a disablement policy with a family income benefit life assurance. The disablement policy pays benefit for the first two years and, when this period has run, the claimant's medical condition is reviewed. If he is then reckoned to be permanently unfit, insurers stop payment under the disablement policy and start paying under the family income cover. The latter payment does not attract income tax.

Under this part of their plan, insurers are availing themselves of tax concessions for income benefit policies established in the 1970 Finance Act. Insurers have obtained revenue approval for their new policy, and so the income benefit part of the cover is "qualifying" for the purpose of premium tax relief rules.

The Income Shield Policy thus provides a good illustration of how the Revenue is obliged to apply its own rules to "approve" an insurance plan which enables the citizen lawfully to avoid tax which he would otherwise have to pay but for the intervention of insurers.

Wharves link

TWO ADJOINING wharves in Rochester have come under the same ownership.

William T. Eden (Importers), a privately-owned company, of Crown Wharf, Rochester, has announced the acquisition from Elliotts of Peterborough of its wharf subsidiary, Medway Wharfingers, of Phoenix Wharf, Rochester.

The linking of Crown and Phoenix Wharves will result in deep water berthing facilities for three ships.

APPOINTMENTS

Executive changes in Spillers group

Mr. D. C. Hailey, managing director of the milling, baking and agriculture division, is to retire from the Board of SPILLERS on May 31. From that date responsibility for the operating groups will be divided between Mr. N. L. Rigby, who will be in charge of groups for milling, agriculture, grain and feed, meat and restaurants, and Mr. D. R. Hornby, to control groups for grocery products, ingredients and cake, and the Modern Maid Food Products Inc., international division. Mr. H. R. Philpot will be retiring from the Board on October 31.

★

Mr. John Evans, at present joint secretary of Hill Samuel *Group, has been appointed* secretary of the Accepting Houses Committee and of the Issuing Houses Association. He succeeds Mr. T. A. C. D. Stewart who is retiring after 30 years as secretary.

★

Mr. E. W. S. Ashton, managing director of Angus Fire Armour, has been appointed director of DUNLOP ENGINEERING GROUP based in Coventry. He is succeeded by Mr. Desmond Hird, formerly president of Angus Fire Armour Corporation, U.S. Mr. Ashton takes over from *Mr. Colin Hope who has become* director of Dunlop's UK tyre division based at Fort Dunlop, Birmingham.

★

Mr. James Louden, a director of Unilever and member of the Unilever overseas committee, has ben appointed chairman of UAC INTERNATIONAL, on whose Board he served from 1972 to 1976. He remains a director of Unilever and of Unilever NV.

★

Lord Caldecote has been appointed a part-time member of the BRITISH RAILWAYS *BOARD for three years from* March. Lord Caldecote has been chairman of the Delta Metal Company since 1972. He is also chairman of Legal and General Assurance Society and a director of Lloyds Bank and Lloyds Bank International.

★

Mr. J. Lang has become deputy managing director of ATCOST STRUCTURES, responsible for the Scottish region, and continues as commercial director. Mr. Graham Parsons, sales director of the industrial division, takes over agricultural sales *from Mr. Lang.*

★

M. J. Barry Orr is to join the PECKSTON GROUP as group chief executive on April 1. He is at present operations director of Davy International Iron and Steel division and a director of Davy International (Minerals and Metals). At the same time Mr. Geoffrey Mills will become a non-executive director of Peckston. For personal reasons, Mr. David Ord has resigned from that Board and also relinquishes his position as managing director Peckston Shipping.

★

Mr. Paul Phillips has been appointed group hotels director, and Mr. John Daffin commercial director, on the main Board of CENTRE HOTELS.

★

Air Marshal Sir John Stacey is to be the new Deputy Commander-in-Chief, ALLIED FORCES CENTRAL EUROPE, in the rank of Air Chief Marshal from June 1. He succeeds Air Chief Marshal Sir Peter Le Cheminant who is to retire. Taking over from Air Marshal Stacey as Commander-in-Chief, Royal Air Force Germany and Commander, Second Allied Tactical Air Force, from April 30 will be Air Marshal Sir Peter Terry.

★

The Trade Secretary has re-appointed Mr. William D. H. Gregson, assistant general manager of Ferranti (Scotland) as deputy chairman and part-time member of the BRITISH AIRPORTS AUTHORITY with special responsibility for Scottish affairs.

TEL AVIV

Company	Prices Feb. 25 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel...	387	—
IDB Bankholding	393	+ 3.0
Bank Hapoalim Br. ...	564	+ 6.0
Union Bank of Israel Br.	422	− 8.0
United Mizrahi Bank...	275	+ 2.0
Hassneh Insurance Br.	411	− 9.0
General Mort. Bank Br.	393	− 11.0
"Telahot" Israel Mt. Bk.	358	− 1.0
Land Development		
Africa Israel Inv. I£10	1,070	—
Israel Land Devpt. Br.	227.5	− 10.5
Property and Building .	345	− 3.0
Public Utility		
Israel Electric Cpn. ...	315	− 8.0
Investment Companies		
Bank Leumi Invest. ...	416	− 6.0
"Clal" Israel Invest...	378	− 21.0
Discount Invest	316	− 2.0
Commercial and Industrial		
Alliance Tire & Rubber	1,420	+ 27.0
Elco Br.	230	− 15.0
Argaman Textile Br. ...	337	− 13.0
"Ata" Textile "B"...	199	+ 11.0
Amer. Israeli Paper Mills	580	+ 14.0
Assis	370	+ 50.0
Elite	345	+ 5.0
Teva Reg.	707	+ 15.0
Fuel and Oil		
Delek	206.5	+ 3.5

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

COPENHAGEN

VIENNA

STOCKHOLM

HONG KONG

GERMANY

SWITZERLAND

MILAN

OSLO

PARIS

AUSTRALIA

BRAZIL

JOHANNESBURG

WALL STREET

NEW YORK

1978-79 High	1978-79 Low	Stock	Feb 23
39	25	Abbott Labs	31
64½	45⅛	Corning Glass......	53¾
54½	42¼	CPC Int'rnationa	51½
56½	23⅛	Crane Natl..........	29⅝
34⅛	22⅝	Johns Manville ...	23½
88½	66	Johnson Johnson	68
35½	22¼	Johnson Control.	28¾
58½	38	Revlon..............	48¾
39¾	25¼	Reynolds Metals.	35⅜
64	52¼	Reynolds R.J......	55⅜

CANADA

INTERNATIONAL BONDS — BY JOHN EVANS

A gilt-edged bet by Britain

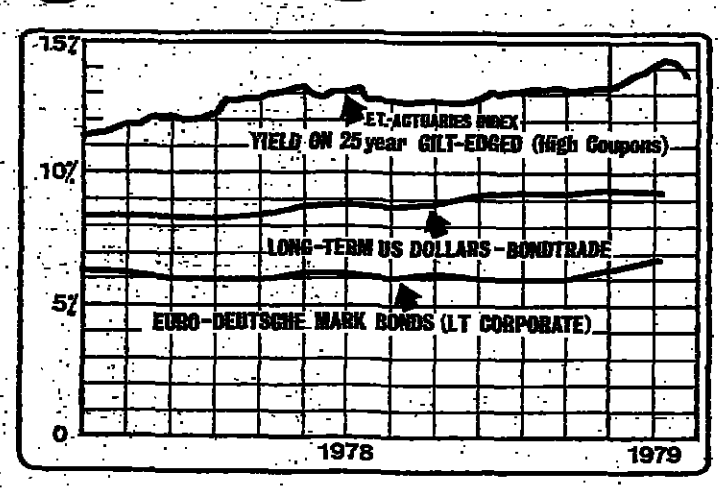
INTERNATIONAL BOND markets were in retreat throughout Europe last week. The Eurodollar bond market, which has tried to absorb a total new issue volume of $1.75bn in recent weeks, was broadly lower. The Deutsche Mark and Swiss franc international sectors remained weak, while yen Samurai issues took some sharp losses. The recent revival in French franc Eurobonds also seemed to be losing pace.

The long-held concern among fixed-interest investors over the tightening monetary conditions in the U.S. is spreading to participants in the Deutsche Mark and Swiss finance markets. Both these European nations are regarded as likely to raise interest rates and curb monetary growth, particularly now fresh inflationary pressures are looming from higher oil prices.

As a result, investment activity in most markets fell to a new low ebb as institutions cautiously placed cash in short-term investments, rather than take up new commitments in bonds.

The one exception to this dismal scene was the British Government bond market, where the current £1.3bn offering of new gilt-edged issues attracted heavy foreign applications.

The two new gilt stocks, carrying coupons of 13¼ and 13½ per cent respectively, undoubtedly siphoned some loose money away from the Eurobond market.



The stocks yield in the region of 14 per cent, a return considered by offshore investors to be attractive, given expectations that sterling will remain steady and the UK economy is in part insulated from the worst effects of higher Opec prices by North Sea oil.

While much of the foreign money now heading into gilt-edged is of a short-term speculative nature, there have been more stable sources of demand in recent months. Japanese life insurance companies are reckoned to have pumped about £150m into gilts since last autumn.

Several of the big European banks, observing the poor outlook in many fixed interest markets, have confirmed that a small proportion of gilt-edged was being built into institutions' portfolios, thus diverting some of the funds sitting on the sidelines.

Demand for gilt-edged spilled over into Eurosterling issues, which recorded gains of up to four points over the week. But Eurosterling's rally tended to run out of steam when yields were pushed down to the 12¼ to 12½ per cent area—a return substantially below that available on long-term gilts.

In Eurodollar bonds, the criticism over recent heavy new issues volume increased. In fact, no further issues appear to be scheduled at present, beyond bonds already announced.

Kidder Peabody commented that the "present level of new issues was unsustainable for any length of time." Nomura Securities reckoned that "With a large amount of paper still being held in loose hands, managers should give time for natural absorption before the next onset."

First Chicago's view was that the dollar primary market has "resembled the end of a party when most guests have left. . . ." The after-market performance of several new bonds tended to confirm this picture. The price of the Dow Chemical $200m 15-year bond, bearing 9¾ per cent, was lowered to 99 from an originally indicated 99½. The issue subsequently slid at one point to 96¾, producing a yield to maturity to well over 10 per cent, but with the managers making a market at 97.

The week's real casualty was the $50m of Honda 5½ per cent convertible bonds. Priced at par, the 10-year issue slumped to 94½ in secondary trading, reckoned one of the sharpest losses in recent years for such an offering.

Portland General Electric's $50m five-year notes, priced at 99 to yield 10.27 per cent, retreated to 96½/97½ in secondary dealings.

With straight bonds performing poorly, floating rate notes attracted some support, and Citicorp's $100m floater was reportedly selling well.

In a deteriorating Deutschemark market the monthly international bond calendar of a maximum DM 950m will be missed by a wide margin. Bankers estimate only DM 500m to DM 600m of bonds will reach the primary market, with issues postponed by most major German banks last week.

The decision to delay the next meeting of the German capital market sub-committee until early March is being regarded as a move which could represent an effective one-week halt in the new issue flow in Germany.

The coupon on the DM 150m Megal Finance issue was raised to 7 per cent from 6¾ per cent. Japanese companies are being hard-hit, with Honda Motor and Sankyo Electric having already cancelled planned DM bonds. Rhythm Watch has decided to abandon plans to float a DM 50m convertible next month, and Aoki Construction is also considering cancelling a planned DM 40m convertible.

The Japanese Ministry of Finance has given approval for 52 corporations to float foreign bond issues worth an estimated record $1.6bn in the April-June quarter, which confirms a major switch to the Swiss franc in preference to the mark. The planned calendar comprises 40 Swiss bonds, 10 in DMs and two Eurodollar offerings.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡§Honda	50	1989	—	5½	100	Nikko, Schroder Wagg	5.58
‡Dow Chemical	200	1994	12	9¾	99	European Banking Co., Deutsche Bank	9.755
‡Portland Gen. Elec.	50	1984	5	10	99	Dean Witter Inc.	10.27
‡Itel	25	1987	8	10½	*	Kidder Peabody	*
Prov. of Newfoundland	50	1994	12.28	10	*	CCF	*
†Banco Urquijo	30	1986	7	6°	100	Société Générale	6.09°
†Citicorp	100	1994	15	6°	100	Crédit Suisse First Boston	6.09°
†Thailand	30	1984	5	7°	100	Man. Hanover Ltd., BNP	7.12°
D-MARKS							
‡CNT (g'teed France)	100	1987	8	6½	99	WestLB	6.41
Megal Finance	150	1989	9	7	99	Dresdner Bank	7.14
Banco Nacional de Desarrollo	100	1986	7	7½	*	WestLB	*
Nippon Kokan (g'teed Fuji Bank)	100	1984	5	6½	*	Dresdner Bank	*
**Lufthansa (Curacao)	50	1986	—	6½	100	Deutsche Bank	6.50
**§Chujitsuya Co.	30	1986	—	4½	100	Bayerische Vereinsbank	*
SWISS FRANCS							
‡†Credit Pop. d'Algerie	30	1989	n.a.	4½°	100	Banque Gutzwiller, Kurz, Bungener	4.55°
‡Philippines	50	1989	n.a.	4¾	100	Swiss Bank Corporation	4.75
‡Spain	100	1991	n.a.	4	100	UBS	4.00
**CNT	150	1986	n.a.	2½	99½	Swiss Bank Corporation	n.a.
FRENCH FRANCS							
‡Total Oil Marine (g'teed CFP)	150	1987	7.05	9½	99½	Paribas	9.425
KUWAITI DINARS							
‡CESP (g'teed Brazil)	10	1987/91	—	8½	99½	KFTCIC, Merrill Lynch, Orion	8.19

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ¶¶ Registered with Japanese Ministry of Finance. Note: Yields are calculated on AIBD basis.

U.S. BONDS — BY JOHN WYLES

Yields nudge 1974 peak

THE U.S. BOND markets last week reverted to the gloomy, nervous, uncertain outlook which has dominated investor behaviour for much of the last year. The return of falling prices and rising yields appears to mark an end to the New Year rally which had been fuelled by hopes of a slowdown in the economy, steadier short-term interest rates and contracting monetary aggregates.

But the depressing foreign news of upheavals in Iran, fighting between China and Vietnam and the prospect of higher than expected oil prices have joined forces with pessimistic indicators on the domestic economy to wreak some damage to investor psychology. During a trading week foreshortened by a public holiday last Monday, there has been a steadily accelerating decline in prices so that yields on new medium and long-term corporate and government securities are again nudging peaks established in late 1974.

The Treasury's new $2.48bn of two-year notes were sold on Wednesday at a significantly lower price to yield 9.85 per cent, than had been projected five days before. On Thursday, they were trading to yield 9.88 per cent in a market which was decidedly unfavourable for government securities. By the end of the week almost a full point had been wiped off the value of long-term Treasuries while medium- and long-term corporates were down ½ to ¾.

Texas Electric Service Company provided a $75m 30-year benchmark issue which was priced to yield 9.57 per cent, the highest on a triple A electric power company bond since October 1974. Other utility issues offered further evidence of the sorry market—medium grade Georgia Power Company bonds were priced to yield 10.5 per cent on Wednesday and then plummeted more than two points in secondary trading to hoist the yield to 10.75 per cent.

Market attitudes were partially coloured by gloomy anticipation of Friday's consumer price index for January which confirmed all but the most pessimistic forecasts by turning in an 0.9 per cent increase. With an official revision last week of fourth quarter GNP growth from 6.1 to 6.4 per cent, there is a strong feeling that the economic slowdown which might take some of the steam out of inflation will be later rather than sooner this year.

At the same time, Mr. William Miller, the Fed chairman, has reaffirmed the central bank's strategy of trying to restrain inflation gradually without forcing the economy to a halt. Still higher short-term interest rates are implicit in this approach and some private economists expect further tightening by the Fed if the monetary aggregates start to accelerate in March.

CREDIT ASSESSMENT — BY OUR EUROMARKETS STAFF

The battle of the ratings

ONE OF THE traditional differences between bond markets in New York and their Eurobond counterparts is the much more fulsome information often available to investors in the U.S.

While the Eurobond market acknowledges that its quality of research and credit appraisal techniques can stand much improvement, hackles are nevertheless being raised in Europe by an aggressive policy move from Moody's to extend its Eurobonds rating services.

The U.S. agency has, on its own initiative, started to assign ratings on American corporate Eurobond issues, without seeking clearance from the borrower or the managing banks. In turn, no fee is charged for these ratings.

So far, Moody's has given unilaterally the recent Gould Incorporation $50m Eurobond via Kidder Peabody a single-A rating, in line with ratings on the company's U.S. debentures, and a triple-A assignment on the Sears Roebuck $150m offering from Goldman Sachs—again matching assignments on Sears' U.S. debt. The agency may decide to rate all the current U.S. offerings, including the big Dow Chemical $200m bond.

Moody's and Standard and Poor's, the other big rating agency, has attempted, since the early 1970s, to familiarise Eurobond investors with ratings, but with little success.

Moody's says it has always retained the option to assign ratings on Eurobonds on an unsolicited basis, and "where we are confident about the quality of our information appraisals." This in effect means guaranteed U.S. corporate issues offshore. Moody's has clearly timed its new move at a time of a record volume of new U.S. offerings in the international markets.

More than $600m of new Eurobonds were offered by U.S. companies in the first two weeks of this month, by far surpassing the record U.S. volume for an entire month of about $355m last September.

Given the past indifference in Europe to the ratings system, Moody's has no argument with the market's suspicion that, behind its decision to give unsolicited assignments, lays a campaign to build up much more familiarity with ratings among overseas investors, hopefully to the levels established in New York. This has obvious long-term benefits for the agency.

Aware of European reservations over its new policy, Moody's is so far setting ratings only when an issue enters secondary market trading. "However, we do not rule out stepping this up to a rating assignment when an issue is actually being underwritten.

At for the Eurobond market, most participants find it difficult to articulate their objections to the ratings concept. But an unspoken reason is probably that some managing banks, introducing a lower-quality borrower to the international market, don't particularly want to see a low-grade rating widely advertised among potential investors.

Another factor is that the Eurobond market, unlike New York, deals with a much wider range and variety of borrowers, including sovereign countries. While Moody's can do a good job of corporate balance-sheet assessment, as well as judging the quality of a firm's management, it is "an entirely different matter when attempting to quantify the whole range of economic, social and political intangibles in order to rate an actual country," says one European bank.

On balance, however, European markets would not be surprised to see ratings becoming a more established credit technique in future. One overriding factor is that institutional investors, including many central banks are becoming the dominating factor in the ultimate placement of bonds.

A more sophisticated investment approach is demanded by such large operators, one of whose main yardsticks in choosing bonds is the quality of the issue. Thus, techniques which help assess quality must assist this trend, most analysts agree.

Meanwhile, Standard and Poor's, asked to comment on Moody's move, says it is closely studying the situation.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¼ 88	25	94¼	94¾	0	−0¼	10.20
Australia 8.45 83	175	95¼	95¾	0	−0¼	10.03
Australia 9¼ 93	75	95⅛	95⅝	−0⅛	0	9.88
CECA 8¾ 87	50	93¼	93⅞	0	0	9.89
CECA 9¾ 84-99	50	95⅝	96⅛	−0⅛	−0⅛	9.84
CNT 9 93	75	94¼	94⅝	−0⅛	+0⅛	9.74
Canada 9 83	400	97½	98	−0⅛	0	9.84
Canada 9¼ 98	350	96	96½	−0¼	−0⅛	9.91
Canadair 8½ 83	70	94¼	94¾	−0⅛	+0¼	10.15
Dominion Bridge 9 86	25	94	94½	0	−0¼	10.13
EIB 9¼ 98	125	93¾	94	−0⅛	−1⅛	10.11
Export Dv. Cpn. 9.85 84	150	99¾	100¼	−0⅛	−0⅛	10.09
Eksportfinans 9 86	50	95	95½	−0⅛	0	9.90
Finland 9¾ 83	100	†95¼	96½	0	−0⅛	10.11
Finland 9 88	100	†94⅛	95¼	−0⅛	−0¼	10.10
Finland 9½ 86	100	97	97½	0	−0¼	10.06
Hospital O/S 9 83	25	96½	97	0	−0⅛	9.89
Itel Finance 9¾ 90	30	93⅛	93⅞	−0⅛	+0⅛	10.72
J. C. Penney 8½ 83	100	95¼	95¾	0	−0⅛	9.81
NZ Dev. Fin. 8⅛ 83	20	93¼	93¾	−0¼	0	10.09
NZ Dev. Fin. 8⅞ 85	20	92⅞	93⅜	−0¼	−0¼	9.88
Nat. West. 9 86	75	96¼	96¾	−0⅛	−0¼	9.67
Newfoundland 9¼ 90	50	95¾	96¼	−0⅛	−0⅛	9.86
Nord. Inv. Bk. 8¾ 88	25	94¼	94⅞	0	−0¼	9.64
Norsk Hydro 9¼ 94	50	94⅞	95⅜	0	+0⅛	9.88
Norway 7½ 83	250	92½	93	−0⅛	−0¼	10.08
Norway 8¾ 83	150	96½	97	−0⅛	−0⅛	9.95
Norway 9¾ 84	150	99¾	100¼	0	−0⅛	9.98
Occidental 8⅞ 85	75	91⅞	92⅜	−0⅛	−0¼	10.64
Ont. Hydro 8½ 85	125	92⅞	93⅜	−0⅛	−0¼	10.01
Quebec Hydro 9½ 93	50	96⅜	96⅞	0	−0¼	9.94
Sweden 9¾ 98	125	94⅞	95⅛	0	−0¼	10.09
UK 8⅝ 85	200	95½	96	+0⅛	+0¼	9.64
UK 8⅞ 93	150	93½	94⅛	−0⅛	−0⅛	9.91

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	96⅞	97⅜	−0½	−0⅜	5.94
Argentina 6½ 88	150	95½	96¼	+0½	+0⅜	7.10
Australia 6 88	250	99⅜	99⅞	0	0	6.06
Austria 5¾ 90	150	91½	92⅜	+0⅛	−0¼	6.77
Bankamerica 5¾ 90	150	98	98½	0	−0½	5.96
Bq. Ext. Algerie 7¾ 85	100	95⅛	96¼	0	−0½	8.09
Brazil 7¼ 87	150	100	100½	0	−0⅜	7.20
CECA 6 88	150	96⅛	96¾	0	0	6.49
Canada 4¾ 83	600	96⅜	97¼	0	−0⅛	5.59
Ch. Manhttn. O/S 6 93	100	98⅜	99⅛	0	−0⅜	6.11
Commerzbank WW 3½	100	100	101	−0½	+0⅜	3.43
Commerzbank XW 3½	100	81⅛	81⅞	+0⅛	0	6.16
Copenhagen City 6 90	75	90⅜	91⅛	+0¼	−0½	7.19
Council of Europe 6¼	100	95½	96¼	−0¼	−1½	6.73
Council of Europe 6¼	130	96⅝	97⅛	0	−0⅜	6.69
Denmark 5¾ 95	100	95⅜	96¼	0	−0¼	6.58
Denmark 6½ 90	100	†96⅜	97	+0⅛	0	6.98
EIB 6 90	300	93¼	93¾	−0¼	−0⅛	6.82
EIB 6½ 91	200	96¼	96¾	+0⅛	−0⅛	6.84
Eurofima 6½ 89	100	99⅛	99⅝	+0¼	+0½	6.59
Finland 6 83	150	99⅝	100⅛	+0¼	−0½	5.99
Hitachi Ship. 5¾ 83	50	98⅞	99⅜	−0⅜	−0⅜	5.86
IBJ 5 84	100	96⅜	97⅛	+0⅛	−0½	5.78
Indonesia 7 84	100	97⅞	98⅜	+0⅛	+0⅜	7.41
Kobe, City of 5¾ 86	100	96⅜	97⅛	−0⅛	−1⅛	6.26
Mitsubishi Petro. 5¾ 85	100	98¼	99⅛	−0⅛	+0⅛	5.84
New Zealand 6¼ 87	200	99⅛	99⅞	+0⅛	−0½	6.31
Nippon Steel 5¾ 85	100	98⅜	99⅛	0	−0⅜	5.96
Nippon Tel. & T. 5½ 87	100	95⅜	96½	+0⅛	−0⅜	6.13
Nordic Inv. Bk. 6¼ 86	60	97½	98	+0⅛	−0⅜	6.66
Norges Komm. 6 90	100	95¼	96¼	0	−0⅛	6.62
Norges Komm. 6¼ 89	150	97⅜	97⅞	+0⅛	0	6.58
Norwegn. Ind. Bk. 6 90	125	94½	95	0	−0⅛	6.68
Occidental 6¾ 90	150	95¾	96¼	+0⅛	+0⅛	7.28
OKB 6½ 88	100	99⅝	100⅛	−0¼	−0⅜	6.51
Petroleo Brazil 7 88	100	97⅜	98⅛	−0⅛	0	7.31
PK Banken 5¾ 88	100	91½	92½	+0⅜	−0½	6.93
Ricoh 5¼ 83	30	96⅜	97⅛	−0⅛	−0¼	6.08
Statoil 6 88	150	95⅛	95⅝	0	+0⅛	6.66
UDS Group 5⅞ 83	65	95½	96¼	+0⅛	−0⅛	6.83
Union Bank-Finn 6½ 88	50	94¼	94¾	0	−0⅛	7.30
Venezuela 6½ 90	150	92⅛	92⅞	−0¼	−0⅛	7.48
World Bank 6⅞ 88	400	97¼	97¾	+0⅛	+0¼	6.62

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 5¼ 88	40	103⅜	103⅞	−0¼	−1	4.74
Amer. Exp. Int. 3½ 93	40	100¼	100½	−0¼	−1⅛	3.47
Arlberg Tunnel 4 93	40	100¾	101¼	0	−1⅛	3.93
Austria 3½ 93	100	98⅜	98⅝	+0⅛	−0⅛	3.62
Brazil 4¼	100	98½	98¾	0	−0½	4.40
Chase Manhattan 4 93	70	104⅛	104⅞	0	−0⅜	3.57
Council of Europe 4¼	100	103¼	103½	0	−0⅜	3.88
Bankamerica 3¾ 93	80	99½	99¾	−0⅛	−2⅞	3.78
BNDE 5 88	75	101⅛	101½	−0½	−0⅞	4.81
Denmark 4½ 90	100	102¼	102½	−2¼	−2½	4.33
Denmark-Mortgage Bk.	80	102⅜	102⅞	−0½	−2⅜	4.19
EIB 4¾ 93	100	100¾	101	−0⅜	−3	4.17
Euratom 4⅛ 93	80	101	101⅜	+0¼	−1⅜	4.12
F. L. Smidth 4½ 89	25	102⅜	103⅛	−0⅜	−0⅜	4.15
Finland 4½ 93	80	101⅛	101½	−0½	−1⅛	4.36
GZB 4½ 93	100	103⅛	103⅜	+0⅛	−1⅛	4.19
ICI Fin. NV 4¾ 93	100	104	104¼	+0¼	−0⅛	3.87
Malaysia 4¾ 90	80	99⅜	99¾	+0⅛	−1	4.86
Manitoba 4 93	100	101	101⅜	−2	−3½	3.87
Nomura 4 93	70	102¾	103	−0½	−0⅜	3.73
New Zealand 3½ 94	120	†98¼	98½	0	−1⅛	3.64
Norges Komm. 4¼ 90	100	104	104⅜	−0⅜	−1⅜	3.79
OKB 4 93	80	101	101½	−0⅜	+2⅛	3.88
Oy Nokia 5 90	20	101½	102¼	−0⅜	−2¼	4.78
Sala 4⅛ 93	30	103½	104	+0⅛	−0	3.90
Sandvik 4 90	85	100½	100⅞	−2	−3⅛	3.83
Suez 4½ 88	15	103	103½	+0⅛	−0¼	4.07
Voest-Alpine 4½ 93	100	103⅛	104¼	−0¼	−0½	4.13
Voralberg Kraft 4 93	30	103¼	104	−0⅜	−1	3.67
Vienna 4 93	100	99¼	99½	−1⅛	−2½	4.06
World Bank 4¼ 93	250	100½	100¾	−0½	−2⅛	4.19

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5⅝ 88	15	91¼	92	−0⅛	−1½	6.98
Australia 5.6 83	30	99⅝	100⅜	−0⅛	−0¼	5.61
Australia 6½ 88	20	95⅞	96⅞	−0⅛	−0¼	7.14
BFCE 6.4 90	30	93¾	94¾	0	−0¼	7.27
Eurofima 6.3 90	10	†93½	94½	−0½	−0½	7.21
Finland 5.6 83	10	97⅝	98⅜	−0¼	−0⅛	6.14
Finland 6.8 88	10	96⅛	97⅛	+0⅛	−0¼	7.42
Sweden 6.3 90	40	91¾	92¾	−0⅛	−1⅛	7.46

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ A$	12	94⅜	96⅞	0	−0⅛	12.90
Auto Cote B. 7 93 EUA	16	91¾	92⅜	0	0	7.95
Copenhagen 7 93 EUA	30	91⅝	92⅜	0	0	7.96
Komm. Inst. 7½ 93 EUA	15	97	98¼	+0⅛	−0⅛	7.77
Panama 8¾ 93 EUA	20	93⅞	94⅞	−0⅛	−0⅛	8.94
SDR France 7 93 EUA	22	92⅛	93⅛	+0⅛	+0⅛	7.85
Algemene Bk. 6¾ 83 Fl	75	94½	94⅞	−0¼	−0⅛	7.82
Brazil 7½ 83 Fl	75	94¼	95	−0⅛	−0⅛	9.03
CFE Mexico 7¾ 83 Fl	75	97½	98⅛	−0⅛	0	8.32
EIB 7¾ 85 Fl	75	94⅝	95⅛	0	−0½	8.25
Neder. Midd. 6½ 83 Fl	75	93⅞	94⅝	−0⅛	−0⅛	8.13
New Zealand 6¾ 84 Fl	75	94⅛	95	−0⅛	−1	8.01
Norway 6½ 83 Fl	100	94	94¾	−0⅛	−0⅛	8.16
OKB 6½ 85 Fl	75	90¼	91	−0⅛	−0⅛	8.49
Elf Aquitaine 9¾ 88 FFr	150	99¼	99¾	0	−0¼	9.82
EIB 9¾ 88 FFr	200	99¼	99¾	−0⅛	−0⅛	9.81
PSA Peugeot 9¾ 87 FFr	175	99½	100	0	−0⅛	9.79
Unilever 10 85 FFr	100	101½	102⅛	0	−0⅛	9.59
BAT 8 88 LuxFr	250	97¼	98¼	+0⅛	+0⅛	8.34
Bayer Lux. 8 86 LuxFr	250	97⅛	98⅛	0	0	8.38
EIB 7¾ 88 LuxFr	250	96½	97½	0	0	8.21
Finland I. F. 8 88 LuxFr	250	96⅞	97⅞	0	+0¼	8.41
Norway 7¾ 83 LuxFr	250	97⅛	98⅛	0	+0¼	8.39
Norges Km. 8 86 LuxFr	500	98⅞	99⅞	+0⅛	+0⅛	8.10
Renault 7¾ 88 LuxFr	500	96⅜	97⅜	0	+0⅛	8.19
Solvay Fin. 8 85 LuxFr	500	100⅛	101⅛	0	−0¼	7.86
Swedish Bk. 8 88 LuxFr	500	99	100	0	+0⅛	8.07

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Intl. Bk. M6.5 83	0½	98	98½	31/7	11.44	11.88
BFG Fin. Co. M5.5 89	0⅜	98¼	98¾	12/7	12.4	12.59
Bco. El Salvador M8 83	1⅛	97⅝	98⅜	12/4	11.31	11.54
Bco. Nac. Argnt. M8 83	0⅜	98⅝	99⅜	21/7	12⅛	12.33
Bank Handlowy M8 88	1⅛	97⅛	97⅞	25/11	12.94	13.25
Bank of Tokyo M5½ 93	0¼	97⅛	97⅝	18/4	10½	10.77
Banque Worms M5¾ 85	0⅜	98¼	98¾	15/6	12	12.20
Bq. E. d'Alg. M8.375 84	0⅜	96¼	97	9/8	11⅞	12.29
Bq. E. d'Alg. M7.5 85	0⅜	95¼	95¾	2/5	12⅜	13.35
Bq. Indo et Suez M5½	0⅜	98⅜	99⅛	26/7	12	12.14
Bq. I. Af. Occ. M6.5 83	0⅜	97⅝	98⅛	12/7	12.4	12.67
CCCE M5.25 98	0⅜	97⅛	97⅞	3/8	11⅜	11.65
Ch. Man. O/S M5¾ 93	0⅜	97⅝	98⅛	27/7	11.73	11.98
Credit National M5¾ 88	0⅜	98⅛	98⅝	11/7	12.31	12.52
Gotabanken M6 88	0⅜	98⅜	98⅞	15/5	12.31	12.48
Ind. Bk. Japan M5½ 85	0⅜	99⅝	100⅛	1/6	12.35	12.37
Ljubljanska M7.75 85	1	96⅝	97⅛	18/7	12.94	13.34
LTCB Japan M5¼ 85	0¼	99⅜	99⅞	9/5	12.06	12.12
Midland Intl. M5½ 93	0¼	98⅜	98⅞	20/7	12⅛	12.42
Nat. West. M5½ 90	0⅜	99¼	99¾	21/6	12½	12.63
Nipp. Crdt. Bk. M5.5 85	0¼	99⅞	100⅜	22/6	12.81	12.80
OKB M5¼ 88	0⅜	100½	101	18/4	10.56	10.48
Offshore Mining 86	0⅜	98⅞	99⅜	19/7	12.19	12.30
Petro Mexicano 7¼ 84	0⅜	98⅛	98⅞	24/7	12.06	12.23
Privredna Banka M8 86	0⅞	95⅜	96⅛	22/6	13.44	14.02
Standard Chrt. M5.5 90	0⅜	97⅛	97⅝	10/8	11.56	11.87
Sundsvallsbnkn. M6 85	0⅜	97	97½	4/4	10.06	10.35

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¼ 93	9/78	628	101¼	102½	−0⅛	15.43
Baker Int. Fin. 5½ 93	1/79	34	104⅜	106¼	−0½	5.50
Boots 6¾ 93	2/79	2.16	90¼	91¼	+0⅜	−5.07
Coca-Cola Bottling 6¾	4/79	9	88⅜	90¼	−0½	21.49
Ito-Yokado 5⅝ 93	6/78	1473	120⅜	122	+0⅜	0.24
Novo Industri 7 89	4/79	259	91	92¼	+2½	6.73
Texas Int. Air. 7½ 93	4/79	14.5	89½	91	0	9.05
Thorn Int. Fin. 7 88	11/78	3.67	98⅜	98⅞	+0⅛	−1.80
Tyco Int. Fin. 8½ 88	9/78	21	99¾	100⅜	+0⅛	21.74
Tyco Int. Fin. 5 84	5/78	61.5	74⅜	76⅛	+0⅛	169.17
Asahi Optical 3½ DM	12/78	588	96½	97⅛	−0⅛	−0.75
Casio Co. 3½ 85 DM	11/78	841	95½	96½	−0⅛	4.07
Izumiya 3½ 86 DM	10/78	889	89	90	−1⅜	1.24
Jusco 3½ 86 DM	1/78	1270	90⅛	91⅜	−0⅛	30.23
Kansai Elec. 4 84 DM	4/79	135	92⅜	93⅜	−0⅛	−89.22
Konishiroku 3½ 85 DM	1/79	612	91¼	92¾	−1⅛	7.90
Marudai Food 3½ DM	2/79	1033	89	90	−1⅛	9.19
Murata M. 3½ 86 DM	11/78	854	103	104	−0⅛	−4.09
Nipp. Air. 3.5 88 DM	12/78	508	86⅞	87⅞	−0⅛	1.96
Nippon Shinpan 3¾ DM	8/78	738	99⅞	101½	−0⅛	−0.24
Nippon Ysn. 3½ 85 DM	1/79	251	94⅜	95¼	−0½	4.38
Nissan Diesl. 3½ 86 DM	2/79	477	89⅜	90⅜	−0⅛	9.31
Olymp. Opt. 3½ 85 DM	2/79	703	99⅜	100⅜	−1⅛	−3.94
Ricoh 3½ 86 DM	10/78	617	93	94	−1⅛	10.00
Sanyo Electric 3½ DM	11/78	295	89⅜	90⅛	−0⅛	−2.34
Seiyu Strs. 3¾ 86 DM	9/78	1275	104⅞	105⅞	−0¼	−3.93
Sharp Cp. 3½ 88 DM	2/79	487	92⅞	93⅞	−0⅛	0.87
Stanley Elec. 3½ DM	11/78	823	90⅞	91⅞	+0⅛	15.31
Tokyo Elec. 3½ 87 DM	4/79	475	92	93	−0⅛	−0.45
Trio-Knwd. 3½ 86 DM	11/78	711	86⅛	87¼	−0⅛	22.09

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Feb. 23	95.22	8.84	88.90	9.41
Feb. 16	95.38	8.87	88.16	9.38
High '79	95.75 (1/2)		89.99 (30/1)	
Low '79	94.40 (11/1)		88.85 (11/1)	

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	238.7	1,683.3
Previous week	831.5	1,267.8
Other bonds		
Last week	282.4	350.1
Previous week	223.5	263.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M = Minimum coupon. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on February 23

PUBLIC NOTICES

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

The Annual General Meeting of the Society will be held in the Head Office, No. 28, St. Andrew Square, Edinburgh, on Thursday, 15th March, 1979, at 2.30 p.m., to receive the Report and Accounts for the year ended 31st December, 1978, to fix the remuneration to be received by the Directors, and to re-appoint Mr. E. L. Walker, C.A., Auditor to the Society.

By Order of the Board.
A. M. ROBERTSON, General Manager and Actuary.
28, St. Andrew Square, Edinburgh.

ROYAL BOROUGH OF KENSINGTON & CHELSEA

VARIABLE RATE REDEEMABLE STOCK 1983

The council of the Royal Borough of Kensington & Chelsea announce that the half yearly payment of interest due on 24th August, 1979, on the above stock will be at the rate of £4.78125 (less income tax) per £100 stock.

ART GALLERIES

BROWSE & DARBY, 19, Cork St., W.1. Philip Sutton—Recent Paintings.

FIELDBORNE GALLERIES, 63, Queens Grove, N.W.8. 586 3600. EDWARD WOLFE, R.A. SIXTY YEARS OF PAINTING. Mon.-Fri. 10-6. Sat. 12.30 to 3.

FINE ART SOCIETY, 148, New Bond St., W.1. 01-629 5116. BRITISH ARTS 18th-20th Century.

FISCHER FINE ART, 30, King St., St. James's, S.W.1. 01-839 3942. Recent Work by Two Canadian Realists: D. P. BROWN and JEREMY SMITH. Until 9 March. Mon.-Fri. 10-5.30. Sats. 10-12.30.

MARLBOROUGH, 6, Albemarle St., W.1. TOM PHILLIPS, Works, Watercolours & Drawings. Mon.-Fri. 10-5.30. Sat. 10-12.30.

NEW LITHOGRAPHS by Andre Bicat, published by sole agents, SOHUN GALLERY, Henley-on-Thames. Enquiries to Patricia Savill. 049 12 5323.

REDFERN GALLERY, DAVID EVANS—Recent Paintings. 13th January—February 28th. 20, Cork Street, London, W.1. Mon.-Fri. 10-5.30. Sats. 10-12.30.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW "AS YOU LIKE IT" 11-3.30 am. Show at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

TRAVEL

MARBELLA, MAJORCA, ALGARVE. Top golf holidays from £89 incl. flights, hotels or apts. Self-drive car. Edwards Topgolf, 01-908 4711 (24 hours). Brochures. ABTA IATA ATOL 878B.

CONTRACTS AND TENDERS

CORRECTION NOTICE

GOVERNMENT OF YEMEN ARAB REPUBLIC

Ministry of Education Implementation Unit

Please note that tender published Monday 5th February 1979 should have read under heading: Types of Vehicles

2. Motor cycle 70cc, gent's model with mail bag 15

CLASSIFIED ADVERTISEMENT RATES

	per line £	single column cm. £
Commercial and Industrial Property	5.30	18.00
Residential Property	2.30	9.50
Appointments	5.30	16.00
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Book Publishers	—	8.00

Premium positions available (Minimum size 40 column cms.) £1.50 per single column cm. extra

For further details write to:

Classified Advertisement Manager, Financial Times, 10, Cannon Street, EC4P 4BY.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	National Custom Car Show 1979 (01-686 7181) (until Mar. 4)	Alexandra Palace
Mar. 5—9	Castings '79 Exhibition (0737 68511)	Exbn. Centre, Birmingham
Mar. 6—8	Powtech '79—International Powder Technology and Bulk Solids Exhibition (01-686 5741)	Exbn. Centre, Birmingham
Mar. 6—17	Chelsea Antiques Fair (55 59039)	Chelsea Old Town Hall
Mar. 6—31	Daily Mail Ideal Home Exhibition (01-353 4000)	Earls Court
Mar. 10—18	Boys and Girls Exhibition (0532 620361)	Alexandra Palace
Mar. 11—15	Autoquip '79 (01-235 7000)	Wembley Conference Centre
Mar. 12—16	Labex Intnl. (Lab., Diagnostic and Medical Inst. Exhibition) (01-705 6707)	
Mar. 13—15	Computermarket '79 (01-935 4996)	Exbn. Centre, Birmingham
Mar. 18—21	Toy Fair (04252 72711)	Albany Hotel, Glasgow
Mar. 21—22	EIA Engineering Exhibition (01-222 2367)	Brighton Centre
		Sandown Park, Esher

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Mar. 1—11	International Motor Show	Geneva
Mar. 2—11	International Boat Show—HISWA	Amsterdam
Mar. 3—11	International Tourism—Exchange Exhibition (01-540 1101)	Berlin
Mar. 3—12	International Household Appliances (01-439 3964)	Paris
Mar. 4—11	European Trade Fair for the Meat Industry and Manual Trade—EUROBEEF	Brussels
Mar. 9—18	Primvera '79—International Gift and Novelty Exhibition	Genoa
Mar. 17—25	International Light Industries and Handicrafts Fair (01-486 1951)	Munich

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	IPM: Assessment Centre Design—for Selection and Management Development (029 383 344) (until Mar. 2)	Horsham, Sussex
Current	BTSC: Finance and Accounting for Management (04862 5444) (until Mar. 1)	Woking, Surrey
Current	IPM: Job Evaluation (01-387 2844) (until Mar. 1)	Whites Hotel, W2
Current	CEI: World Energy Economics (01-353 4774) (until Feb. 28)	Inn on the Park, W1
Feb. 26	ESC: Suggestion Schemes (057282 2711)	Cavendish Conference Centre
Current	Institute of Internal Auditors—UK: Computer-Audit Control and Security (0480 58050) (until Feb. 28)	
Feb. 27	CCC: Minimising Liability in Trans-European Road Haulage (01-222 6362)	Hilton Hotel, W1
Mar. 1	BCPA: The Secretary's Environment (01-405 1023)	Royal Garden Hotel, W8
Mar. 1	BCPA: Industrial Tribunals (01-405 1023)	Waldorf Hotel, WC2
Mar. 1	Institution of Civil Engineers: Telecommunications in the Future (01-839 3611)	Waldorf Hotel, WC2
Mar. 2	Marchmount Conferences: Personal Tax Savings for Directors (01-491 7813)	Great George Street, SW1
Mar. 2	InConTec: Product Liability—Law and Practice in Britain and Abroad (0276 62677)	Piccadilly Hotel, Manchester
Mar. 2	CCC: The Contract of Employment (01-222 6362)	Europa Hotel, W1
Mar. 4—16	Mobile Training: Company Taxation for Managers (01-242 3067)	Hilton Hotel, W1
Mar. 4—9	ORC (Europe): Employee Relations in Europe (01-491 2673)	Charing Cross Hotel, WC1
Mar. 5	University of Bradford: Managing Technological Innovation (Bradford 42299)	Luxembourg
Mar. 5—6	Oyez—IBC Advertising and Marketing to Women (01-242 2481)	Heaton Mount, Bradford
Mar. 5—8	AMR International: Zero Base Budgeting (01-637 6470)	Royal Lancaster Hotel, W2
Mar. 5—9	Crown Eagle Communications: Concentrated Course in U.S. Government Contracts (01-636 0517)	Hotel Russell, WC1
Mar. 6	BACIE: Training for the Office (01-636 5351)	Carlton Tower Hotel, SW1
Mar. 6	Executant Management Consultants: A National Strategy for Quality (0494 33171)	Sackville Hotel, Hove
Mar. 6	Abacus: LCCI Successful Exporting—Can we learn from France and Germany (0865 881300)	Skyways Hotel, Heathrow
Mar. 6—7	Brunel Institute: Manpower Development for Capital Projects in the Third World (0895 56461)	Lombard Street, EC3
	ASM: Cost Analysis and Financial Techniques for the Buyer (01-385 1992)	Brunel University, Uxbridge
Mar. 6—7	Con-Cast '79 Conference (0990 23711)	Piccadilly Hotel, W1
Mar. 7	McGraw Hill: How you can develop executive talent for tomorrow-today (Maidenhead 23432)	Metropole Hotel, Birmingham
Mar. 8	ESC: Political Risks and the Business Community (057282 2711)	Royal Garden Hotel, W8
Mar. 13—15	GIM: Finance for the Non-Financial Manager (0788 812123)	Royal Lancaster Hotel, W2
Mar. 14	IPS: Food and Drink (0990 23711)	Cawston
Mar. 14	Imperial College: Forecasting: Art or Science? (01-589 5111)	Royal Garden Hotel, W8
Mar. 14	Oyez-IBC: Practical Steps for Exporters and their Suppliers—Minimising Risks under American Strict Liability Laws (01-242 2481)	London, SW7
Mar. 14	CCC: Cost Effective Purchase and Operation of Car and Light Van Fleets (01-222 6362)	Hilton Hotel, W1
		Europa Hotel, W1

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Brentnall Beard, Lion Hotel, Wyle Cop, Shrewsbury, 12.15

BOARD MEETINGS—
Finals:
Bayards (Charles)
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY, FEBRUARY 28

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Hillingdon 9½pcBds.Red. 5/9/79 4½pc
3pcBds Red. 28/2/79 £4.1315

THURSDAY, MARCH 1

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Buffalo Lake Huron Rly. Perp. Bds. 2½ (1st)pc. (2nd)pc
Calderdale 10[illegible]Bds. 25 2 5¼pc
Camber Corp. 25cts.
Clarke, Nickolls Coombs Ln. 4½pc
Continental Industrial Trust Db. 2½pc
Corp. of London 3[illegible]pc. 1923-93 1¾pc
Costa Rica Railway Dbs. 3¼pc
Courage Ld. Db. 2½pc

FRIDAY, MARCH 2

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Thorn Electrical Inds. 3.6p
Tiger Oats & National Milling Pf. 2.14097p

SATURDAY, MARCH 3

DIVIDEND & INTEREST PAYMENTS—
French (Thomas) 1.6p
Treasury 9pcCnv. 1980. 4½pc

PLANT & MACHINERY SALES

Description	Telephone
ROLLING MILLS	
5in x 12in x 10in wide variable speed Four High Mill.	
3.5in x 8in x 9in wide variable speed Four High Mill.	
10in x 16in wide fixed speed Two High Mill.	
6in x 16in x 20in wide Four High Mill.	
20in x 30in x 350 H/P Two High Reversing Mill.	
10in x 12in wide fixed speed Two High Mill.	0902 42541/2/3
17in x 30in wide fixed speed Two High Mill.	Telex 336414
1970 CUT-TO LENGTH max. capacity 1,000 mm 3 mm x 7tonnes coil fully overhauled and in excellent condition.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm.	0902 42541/2/3 Telex 336414
FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE. Max. capacity 15in x 10 s.w.g.	0902 42541/2/3 Telex 336414
RWF TW-STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 hp per roll stand. Complete with edging rolls, turk'n head, flaking and fixed recoiler, air gauging, etc. Variable line speed, 0/750 ft/min and 0/1,500 ft/min.	0902 42541/2/3 Telex 336414
SLITTING LINES (2) 300 mm and 500 mm capacity.	0902 42541/2/3 Telex 336414
BAR AND TUBE REELING & STRAIGHTENING MACHINE by Platt. Max. capacity 2in Bar 2.50in tube.	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition. 0/2,000 ft/min variable speed, 10 h.p. per block (1968).	0902 42541/2/3 Telex 336414
24in DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton.	0902 42541/2/3 Telex 336414
PACEMAKER SIX BLOCK (22in x 25 h.p.) variable speed Wire Drawing Machine by Marshall Richards.	0902 42541/2/3 Telex 336414
2 15 Die MS4 WIRE DRAWING MACHINES, 5,000 ft/min with spoolers by Marshall Richards.	0902 42541/2/3 Telex 336414
9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks 22in Vertical Collecting Block and 1,000 lb Spooler. (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium).	0902 42541/2/3 Telex 336414
7 and 9 ROLL FLATTENING & LEVELLING MACHINES, 20in, 26in & 72in wide.	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP BALING PRESS by Fielding and Platt, 85 ton main ram pressure.	0902 42541/2/3 Telex 336414
TYPE 10004R CINCINNATI PLATE SHEAR, max. capacity 1,250 mm x 25 mm M.S. Plate, complete with full range of spares.	0902 42541/2/3 Telex 336414
No. 1 FICEP SHEAR, max. capacity 50 mm rounds 75 mm x 35 mm bar, 400 mm x 10 mm flats (spare shear blades).	0902 42541/2/3 Telex 336414
CINCINNATI GUILLOTINE 2,500 mm x 3 mm capacity complete with magnetic sheet supports and motorised back stops.	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER— pneumatic single blow.	0902 42541/2/3 Telex 336414
COLE MOBILE YARD CRANE, 6-ton capacity lattice jib.	0902 42541/2/3 Telex 336414
36" Dia. HORIZONTAL BULL BLOCK by Farmer Norton, 75 H/P variable speed drive.	0902 42541/2/3 Telex 336414
350 H/P TWO SPEED REVERSING ROLLING MILL equipped with 20in dia x 30in wide rolls and twin recoilers	0902 42541/2/3 Telex 336414
WALDRICH COBURG HYDRAULIC PLANER capacity 160in x 50in x 50in. Almost new cond.	01-928 3131 Telex 261771
4,000 TON HYDRAULIC PRESS. Upstroke between columns 92in x 52in daylight 51in.	01-928 3131 Telex 261771
UPSET FORGING MACHINE 4in dia. 750 tons upset pressure.	01-928 3131 Telex 261771
WICKMAN 1¾" 6SP AUTOMATIC. Recon.	01-928 3131
WICKMAN 2¼in 6SP AUTOMATICS 1961 and 1963. EXCELLENT CONDITION.	Telex 261771 01-928 3131
WICKMAN 2¼" 6SP AUTOMATIC. Recon.	01-928 3131 Telex 261771
CINCINNATI CENTRELESS GRINDER. Excellent	01-928 3131 Telex 261771
LINDNER JIG BORER, very accurate.	01-928 3131 Telex 261771
1500 TON CLEARING D A PRESS Bed 180" x 96".	01-928 3131 Telex 261771
200 TON VICKERS CLEARING PRESS Bed 36in x 30in Air Clutch & Brake as new.	01-928 3131 Telex 261771
200 TON SCHULER HIGH SPEED PRESS Double roll feed excellent.	01-928 3131 Telex 261771
LUMSDEN GRINDER 36" dia. magnetic chuck. reconditioned.	01-928 3131 Telex 261771
NATIONAL COLD HEADER ¾" dia. recon.	01-928 3131 Telex 261771
200 TON TAYLOR & CHALLEN DEEP DRAWING PRESS, excellent condition.	01-928 3131 Telex 261771
DEMOOR HEAVY DUTY LATHE 38" dia x 10ft well equipped, reconditioned.	01-928 3131 Telex 261771
CINCINNATI No. 3 HORIZONTAL MILL.	01-928 3131 Telex 261771
INDEX B30 AUTOMATIC, rebuilt.	01-928 3131 Telex 261771
V.D.F. CENTRE LATHE 36" dia. x 14ft Spindle Bore 5¼"	01-928 3131 Telex 261771
BARBER & COLMAN 16-16 HOPPER, as new	01-928 3131

LEGAL NOTICES

No. 00535 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CALARON LIMITED and in the Matter of The Companies Act, 1948.
NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 15th day of February 1979, presented to the said Court by C.Z. SCIENTIFIC INSTRUMENTS LIMITED, R/O P.O. Box 43, 2, Elstree Way, Borehamwood, Herts. WD6 1NH, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 19th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an order on the said petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the petition will be furnished by the undersigned to any creditor or contributory of the said company requiring such copy on payment of the regulated charge for the same
WM. F. PRIOR & CO.
Temple Bar House,
23-28, Fleet Street,
London, EC4Y 1AA.
Ref: PO.8504
Solicitors for the Petitioner.
NOE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of March, 1979.

No. 00601 of 1979.
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of R. EARDEN LIMITED and in the Matter of The Companies Act, 1948.
NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 19th day of February 1979, presented to the said Court by GRUNDIG INTERNATIONAL LIMITED whose registered office is at Newlands Park, Sydenham, London, S.E.26, suppliers of electrical equipment, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 26th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
WM F. PRIOR & CO.,
Temple Bar House,
23/28, Fleet Street,
London, EC4Y 1AA.
Ref: JM.
Solicitors for the Petitioner.
NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of March, 1979.

No. 00388 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of JANICE BELL (CLOTHES) LIMITED and in the Matter of THE COMPANIES ACT, 1948.
NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 5th day of February 1979, presented to the said Court by HERTIE LIMITED whose registered office is situate at 34, Cleveland Street, London, W.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 12th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
HERBERT OPPENHEIMER,
NATHAN & VANDYK,
20, Copthall Avenue,
London, EC2R 7JH.
Ref: TI/SRO.78/61297.
Solicitors for the Petitioner.
NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of March 1979.

No. 00521 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MAXMILLION FASHION ENTERPRISES LIMITED and in the Matter of THE COMPANIES ACT 1948.
NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 14th day of February 1979 presented to the said Court by RAZVI & MAY LIMITED whose registered office is situate at 25 Kensington High Street, London, W.8, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 19th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
L. DAWSON & CO.,
1, Old Buildings, Lincoln's Inn,
London, W.C.2
Solicitors for the Petitioner.
NOTE—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of March 1979.

IN THE MATTER OF
HIGHNOONS ORCHARDS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of March, 1979, to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned:
RICHARD EAGLESFIELD FLOYD,
Chartered Accountant,
of 33 Clifford's Inn,
Fetter Lane, London, EC4A 1AH,
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 19th day of February, 1979.
R. E. FLOYD, Liquidator.
NOTE—This notice is purely formal. All known creditors have been or will be paid in full.

No. 00545 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ADOBI ORGANISATION LIMITED and in the Matter of The Companies Act 1948.
NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 16th day of February 1979, presented to the said Court by THE FINANCIAL TIMES LIMITED whose registered office is at Bracken House, 10 Cannon Street, London, E.C.4, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 19th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same
UNDERWOOD & CO.,
40, Welbeck Street,
London, W1M 8LN.
Solicitors for the Petitioner.
NOE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of March, 1979.

No. 00536 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of J. G. BESGROVE LIMITED and in the Matter of THE COMPANIES ACT 1948.
NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 15th day of February 1979 presented to the said Court by CENTERFUSION LIMITED whose registered office is at 10 Western Parade, Great North Road, Barnet, Herts., and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 19th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
ROBBINS OLIVEY & LAKE,
218, Strand, London, WC2R 1AU.
Ref: PM/C5.
Tel: 01-353 5721.
Agents for:
DERRICK BRIDGES & CO.,
12, Wood Street, Barnet, Herts.
Solicitors for the Petitioner.
NOTE—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of March 1979.

No. 00442 of 1979
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of M.M. MICROWAVE SERVICES LIMITED and in the Matter of THE COMPANIES ACT, 1948.
NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 9th day of February 1979, presented to the said Court by MID SUSSEX DISTRICT COUNCIL, "Oaklands," Oaklands Road, Haywards Heath, Sussex, RH16 1SS, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 12th day of March 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
SHARPE PRITCHARD & CO.,
109, Kingsway, London,
WC2B 6PZ. Ref: 14RR.
Agents for:
J. A. McGHEE,
of "Oaklands," Oaklands Road,
Haywards Heath.
Solicitors for the Petitioner.
NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of March 1979.

COMPANY NOTICES

CREDIT INDUSTRIEL ET COMMERCIAL

DOLLARS 30,000,000 FLOATING RATE NOTES DUE 1981

NOTICE IS HEREBY GIVEN that the rate of interest for the period February 2, 1979 to August 1, 1979 is 11⅜ per cent per annum
Interest payable August 1, 1979 will be dollars 57.19097 per 1,000, Dollars nominal calculated on 181 days.
FISCAL AGENT
CREDIT INDUSTRIEL d'ALSACE ET DE LORRAINE
Luxembourg Branch,
103 Grand Rue,
Luxembourg.

THE "SHELL" TRANSPORT AND TRADING COMPANY LIMITED

NOTICE IS HEREBY GIVEN that a balance of the Register will be struck on Monday, 5th March, 1979 for the preparation of the half-year dividend payable on the FIRST PREFERENCE SHARES for the six months ending 31st March, 1979. The dividend will be paid on 2nd April, 1979.
For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Limited, Registrar's Department, The Causeway, Goring-by-Sea, Worthing, Sussex, not later than 3.00 p.m. on Monday, 5th March 1979.
By Order of the Board,
G. J. OKELL, Company Secretary.
Shell Centre,
London, SE1 7NA.
23rd February, 1979.

RANK OVERSEAS HOLDINGS LIMITED

TO HOLDERS OF THE COMPANY'S AUSTRALIAN $12 MILLION 11½% GUARANTEED LOAN NOTES 1983
NOTICE IS HEREBY GIVEN that the Annual Report and Accounts of Rank Overseas Holdings Limited for the year ended 31st October, 1978, are available from Rothschild & Sons Limited, New Court, St. Swithins Lane, London, E.C.4, and the other Paying Agents named on the Loan Note certificates.
B. C. OWERS, Secretary.
26th February, 1979.

RANK OVERSEAS HOLDINGS LIMITED

TO HOLDERS OF THE COMPANY'S CANADIAN $20 MILLION 9½% GUARANTEED LOAN NOTES 1982
NOTICE IS HEREBY GIVEN that the Annual Report and Accounts of Rank Overseas Holdings Limited for the year ended 31st October, 1978, are available from the Bank of Montreal, 47, Threadneedle Street, London, E.C.2, and the other Paying Agents named on the Loan Note certificates.
B. C. OWERS, Secretary.
26th February, 1979.

CARCLO ENGINEERING GROUP LIMITED

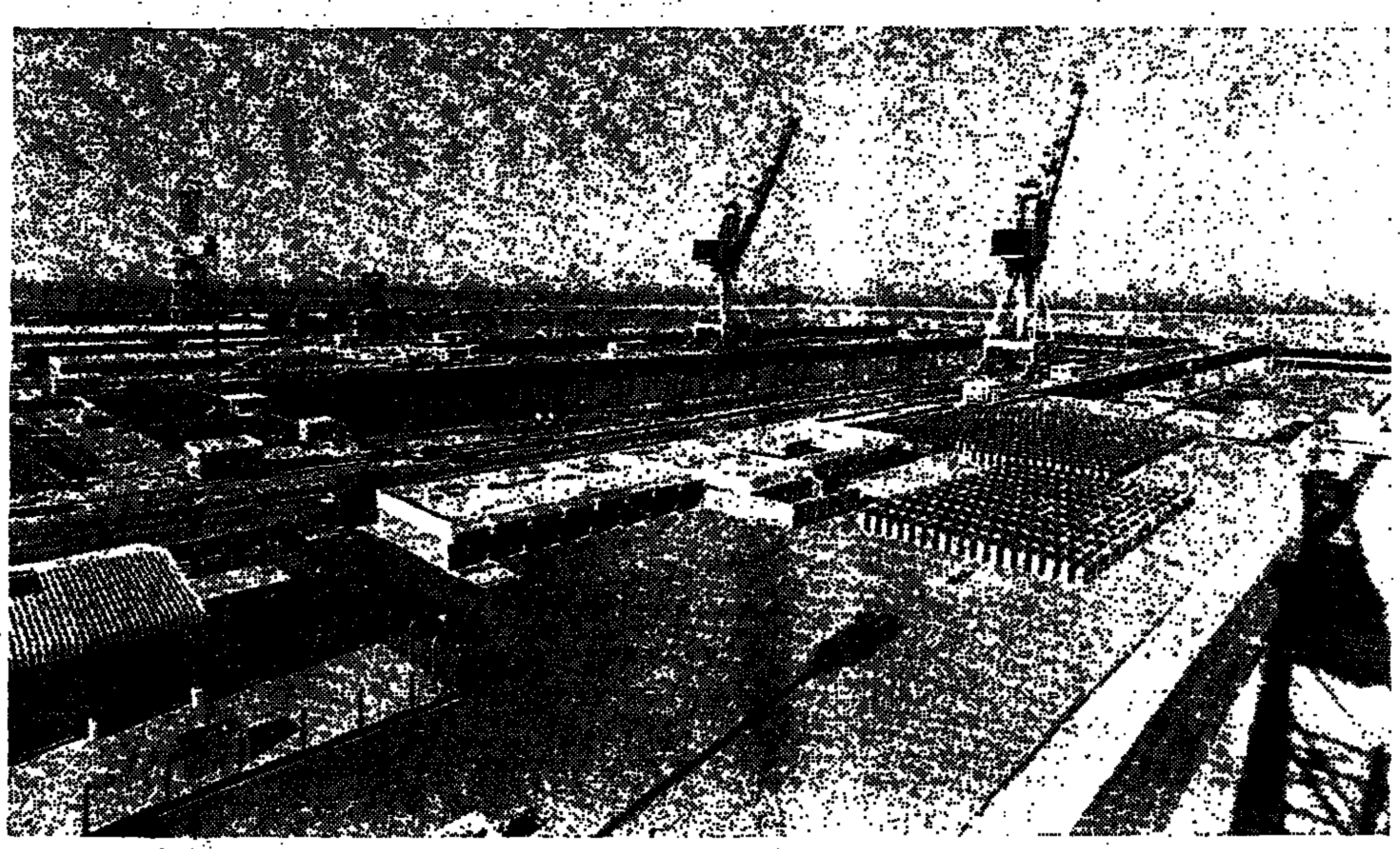
NOTICE IS HEREBY GIVEN that the TRANSFER REGISTER of the 5.95% Preference Shares will be closed at 3 p.m. on 2nd March 1979 for the preparation of dividend warrants
By Order of the Board,
A. CUERDEN, Secretary.
Hightown Road,
Cleckheaton, West Yorks.
26th February 1979.

FINANCIAL TIMES SURVEY

Monday February 26 1979

Dubai Dry Dock

Despite continuing difficulties in the international shiprepair industry, today sees the opening of the world's largest dry dock in Dubai, whose Ruler, Sheikh Rashid, is Vice-President of the United Arab Emirates. The £230m dry dock project is a key factor in the tiny State's industrial strategy.



The world's largest dry dock at Dubai in the United Arab Emirates

Queen to open £230m project

By Ian Hargreaves

WHEN THE Queen presses a button today, opening the sluices of one of Dubai's three dry docks, she will inaugurate one of the biggest non-petroleum industrial projects in the Arab world and one of great significance for the world ship-repair industry.

The flooding of the dock will not, however, mark the start of operations at the world's largest dry dock complex, because, as yet, no final contract has been signed by the Ruler of Dubai, Sheikh Rashid bin Saeed al Maktoum, for the management of the yard.

Sheikh Rashid, to the puzzlement of those who will one day be competing with the Dubai *Dry Dock for business, has* shown himself to be in no desperate hurry to see the yard working, although in recent weeks it has begun to look as though negotiations are coming to a head.

Agreement

The Government does have a "preliminary agreement" with C. H. Bailey, the South Wales ship repair group, which attracted attention in Britain three years ago with its successful fight against nationalisation.

But officials are stressing that this agreement is not legally binding and they have continued to examine other offers. The final deal is likely to be based upon the Government letting a long-term lease at nominal rent with profits to be shared between the operator and Sheikh Rashid, who is sole shareholder in the dock, which has cost him between £230m and £260m to build.

When the present three-dock design was conceived in 1973, *after consideration of a number* of less grandiose plans, it was costed at £90m.

Recession

That, *of course, was* before the oil price explosion and the sequence of events which sent the world shipping industry, and hence its associated shipbuilding and shiprepairing industries, plunging into their most serious recession for over 40 years.

The pattern of events in all three industries was very similar. Gross over-building of ships, building yards and repair yards in exaggerated reaction to a shortage of all three.

The result this year is a world shipbuilding industry with three times the required capacity and a world tanker fleet still with around 25 per cent of slack capacity.

In ship-repair, the 10 years between 1966 and 1976 saw a quadrupling of the industry's capacity to over 28m dwt, and this will be past the 36m dwt mark by 1981. In the big dock league, which Dubai now comfortably tops, the rate of expansion was even more rapid, with *a fivefold expansion of capacity* in that period.

A and P Appledore, the UK shipbuilding consultants and at one time a bidder for the Dubai contract, has recently estimated that even taking into account all ships over 60,000 dwt, which by today's standards is very much a mini-tanker, there is an availability of only an average of eight scheduled dockings per yard per year. If events worked by averages and excluding emergency repairs, that would give every dock just over a month's work each year.

Like most of the decisions made in the tanker business in the heady days of 1973, the Dubai project represents a rather obvious miscalculation and it has been completed when the buyer's market in shiprepair is at its best for the shipowner. In short, conditions could not be much worse.

On the other hand, there is good reason to believe that 1979 and 1980 will see the start of a climb from this trough and that as the big ships start to come out of lay-up—as they did to some extent during the temporary improvement in freight markets in the second half of *1978—shiprepair prices will* start to improve. This trend is also being assisted by a steady flow of dock closures in both Europe and Japan, although in South Korea, which with Taiwan represents the lowest cost shiprepair area in the world, new *facilities are still in the pipeline.*

This means that if, as now seems virtually certain because of the delay in finalising the management contract, Dubai's *docks are not operational until* next year, the timing could be reasonable for a yard as well positioned and well equipped as the facility opened today. However, the recent troubles in Iran have added another negative factor in the prospects for tanker shipping in the Gulf.

Even if trade does pick up, there is no hope of the yard paying off Sheikh Rashid's *investment, which has, in effect,* already been written off. But it does mean that the complex could be fulfilling its primary role as a key item in the industrial service sector in which *Dubai sees much of its future* as it diversifies away from its traditional role as a commercial centre.

Development

So far, the development of the dock has gone fairly well to plan, with the joint Costain-Taylor Woodrow consortium completing the main civil engineering work exactly on time this month.

Sir William Halcrow has acted as consulting engineer on the project; a task which *involved 1,700 employees at one* stage. Costain-Taylor Woodrow had a peak workforce of 6,750, mainly Indians and Pakistanis.

working round the clock *on* two 12-hour shifts. Costain is also the main contractor for the Port Rashid extension now underway alongside the dry dock.

The design was influenced by a number of shiprepair experts from Europe and the Far East, some of whom were also early contenders for the management contract. It comprises a row of three drydocks, one of 350,000 dwt capacity, one of 1m dwt capacity and a third of 500,000 dwt. Operation of the docks is controlled automatically from two control booths.

Alongside the docks, on the same 200 hectare site, is an automated tank cleaning station and behind the front row facilities are extremely well equipped covered workshops for machining, plate working, electrical work, plumbing, painting and galvanising. The machine shop is, according to Costain, the biggest in the Middle East. Behind the main shops is a training school and administrative building.

Flexibility

Now that the dock is almost ready for use, the indications from the Dubai Government are that a management contract will be signed fairly speedily, although Dubai's competitors do not believe that it can be made operational, able to tackle the more sophisticated types of ship repair and profitable as speedily as Bailey at least assumes.

The fact that the dock was built to serve million-ton tankers which have still not left the drawing boards of naval architects does not appear to worry either Bailey or the Government. Bailey says it will build into the dock whatever it can sell. The Government says the operator will have complete freedom in the application of the site and the machinery.

Such resourcefulness and flexibility have been at the heart of many of Dubai's *successes in the past.* The Emirate will certainly confound the shiprepair industry if it emerges with a winner this time.

Questions on its operation

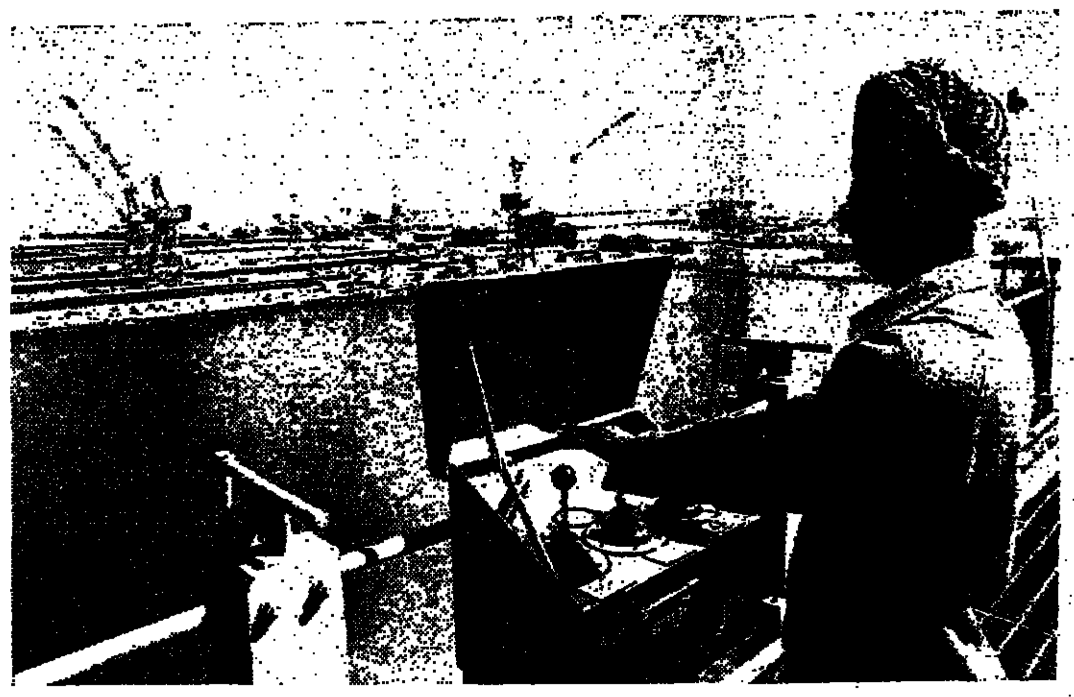
THE BIGGEST unanswered question throughout the five-year construction period of the dock has been: who will operate it?

Many of the best-known names in world shipbuilding and shiprepair have been associated with the project at some time, but most have either looked at the financial terms and declined, or offered only limited assistance in the form of suggestions about the complex's layout.

Swan Hunter of the UK was one of the first companies to be involved in this way and this, alongside the fact that loans totalling £97.5m have received backing from Britain's Export Credit Guarantees Department, have ensured that British shiprepair philosophy has dominated many decisions taken in Dubai.

Most of the £70m spent on equipping the dock and its workshops with machine tools, plate-working and lifting gear has gone to Britain. In some respects, the Dubai Dry Dock represents the British shiprepairman's dream: it offers the latest equipment on a purpose-planned site which contrasts starkly with typical shiprepair conditions in the UK, where modernisation has been generally slow and where the planning concepts of a former age of shipping create constraints in the present. Dubai's main dock is ten times larger than the biggest dock in Britain.

This is the attraction for C. H. Bailey, the South Wales ship-repair company, which has emerged as the most likely winner of the Dubai management contract. Mr. Christopher Bailey, chairman of what is Britain's biggest independent shiprepairer since the bulk of the industry was nationalised in 1977, believes simply that Dubai can be made into the finest and most successful shiprepair yard in the world.



An operator at the controls of the tanker cleaning berth with the dry dock complex in the background.

It seemed at the end of last year that Bailey had virtually secured the contract, when it was announced in Dubai that the company had reached "preliminary agreement" on an extended lease from Sheikh Rashid, the Emirate's rule and sole shareholder in the Dubai Drydock Company.

Final agreement was forecast for early in 1979, but has still not been forthcoming. Meanwhile, the Dubai Government has made it clear that it is still open to rival bids.

In particular, detailed negotiations have continued with the Korean Shipbuilding and Engineering Corporation, a company which employs around 800 men in its three dry-docks, the largest of which has a 150,000 dwt capacity. Bailey employs just under 1,000 men to operate its ten Welsh docks.

There has also been interest in the Dubai facility from American sources interests and since the onset of Iran's political turmoil, the Emirates have been alive with rumours of strengthened American presence and interest in the area. So far, actual negotiations appear to have been held only with Romax, a U.S. recruitment agency, but the Dubai Government does not rule out the possibility of leasing the docks to another holding company which would then be free to subcontract parcels of the facility to others.

From Sheikh Rashid's point of view, the principle consideration is a desire not to sink any more cash into a project which has already cost almost three times more than was originally expected. Because of his financial commitments on other industrial projects in the area, notably the construction of the 70-berth port and associated industrial hinterland at Jebel Ali, the Sheikh faces cash flow constraints in the next two years. During 1979, 35 per cent of the State's income will be spoken for in debt-servicing charges.

Sheikh Rashid has offered potential operators a contract based on two fundamentals: an extended lease (somewhere between 20 and 99 years, depending upon the preference of the operator) at an annual fee of one dirham (13p) and a profit-sharing arrangement during the life of the lease.

Up to the keen interest shown by Bailey and KSEC, most bidders had been put off by the absence of any management fee in this arrangement. Lisnave of Portugal is receiving a substantial fee for managing the nearby single dry dock of the Arab Shipbuilding and Repair Yard in Bahrain.

Bailey has not been deterred by this proposed arrangement because it believes the dock can trade profitably from the outset, which is a bold claim given the absence of labour or management and the company's inexperience in handling a facility of this size. Other operators have forecast a two to seven-year loss-making period.

Bailey's argument is that the facility can be operated with many fewer men than the 5,000 for whom it has been designed and that given the flexibility of working practices normal in a union-less area and the qualities of its own management, immediate profitability on a trading account is possible.

The fact that, with Dubai, there are 40 repair docks in the world capable of repairing VLCCs over 250,000 dwt and a world fleet of not much more than 400 such ships, giving an average workload of just over five ships per dock per year does not worry Bailey. The company's own market surveys have shown that 18,000 ships a year pass either through or past the Strait of Hormuz at the entrance to the Gulf.

In short, Bailey believes that money can be made, by using Dubai's huge docks for repairing smaller ships and by seeking work in offshore fabrication and other land engineering applications. The dock's machine shop is claimed to be the largest in the Middle East.

Strategy

Such a strategy depends crucially upon keeping overheads and costs down. The fact that Sheikh Rashid is not asking operators to finance the £230m to £260m capital cost of the dock is, of course, an enormously important starting point, but there remain other large financial questions, such as who is to finance maintenance and replacement of the dock's assets, who is to meet pre-operational costs and who is to finance extras, such as the tugs that the dock will require?

Negotiation over these grey areas, where some very large cash sums are involved, has been the delaying factor in Bailey's negotiations and matters have not been helped by the company's desire to alter certain features of the facility's design, notably to move the administrative centre from the back corner of the site to the front end of the operation. This stipulation is very much in line with the "see and be seen" management philosophy of the Bailey group, but involves additional expense for someone.

From the Government's point of view, there is also concern that the company which takes on the dock should have the financial muscle to survive one or two bad years. It is questionable whether Bailey, with turnover of £9.4m and pre-tax profits of £656,000 last year is in such a position.

Whoever eventually takes over the operating contract will face the problem of mobilising labour and management. For the Koreans, the solution would probably be that now used in numerous other major projects in the Gulf—to ship in a ready-made Korean workforce.

For the Dubai Government this solution may have the attraction of simplicity, but the disadvantage complained of by other Gulf states that the Koreans tend to contribute less to the industrial cohesion of the areas in which they operate.

For Bailey, the answer would probably involve use of Indian and Pakistani labour, which the Government has indicated would be granted blanket entry permission in a country where only 15 per cent of the 280,000 population comprises natives of Dubai. It is even possible that some of the remaining 2,000 or so Indo-Pakistani construction workers employed by the Costain-Taylor Woodrow joint venture to build the dock would be retained by the operator. Bailey has also investigated the possibility of bringing in skilled labour from the Phillipines and Taiwan.

As for management, Mr. Bailey says that he would expect to be on site personally in Dubai for the first 18 months to two years of the project and for the core of his team to comprise existing Bailey executives. He will be advertising internationally, however, if the contract is confirmed, and expects the impending contraction of the state-owned sector of the British shiprepair industry to provide him with some recruits.

On top of the manpower problem, any operator will also have the difficulty of organising supplies and back-up facilities in what is still a very young region in terms of industry. An added problem, especially if the operator is North European, is the climate, which involves temperatures in excess of 110 degrees F for two months of the year. Bailey's view is that the first problem is overstated and that Dubai's vigorous commercial life does offer on the spot access to many basic supplies. As for climate, which reduced productivity on the construction site by over 20 per cent during the summer months, Bailey says it would adopt the usual practice of encouraging expatriate staff to take holidays in that period.

As the dock is open, one of its most immediate concerns must be the competition from other facilities. According to figures from the Salvage Association, there are now huge disparities in the cost of shiprepair at various geographical locations. Taking the UK average cost at an index of 100, the association's last report put Taiwan at 57, Japan at 159, West Germany at 188 and New Orleans at 227.

ASRY'S yard at Bahrain set out to pitch rates midway between those of the cheapest Far East yards and those of Northern Europe, but in fact discounted heavily on its own published charges during its first year of operation.

ASRY now claims to be operating without discounts after an opening year in which its single dry dock and associated wet berths handled 16.5m deadweight tons of shipping, of which 11m tons was drydocked. This meant an 87 per cent occupancy level for the drydock, which took 55 ships of which 38 were VLCCs. By weight, 90 per cent of the dock's work was accounted for by VLCCs.

Even so, ASRY is *losing* money at twice the rate of its income, even on a purely trading account. If Dubai is to provide profits for its operator, it will have to be run with quite remarkable tightness, although in Dubai the operator is constrained by fewer political objectives. The operators of ASRY, for example, have a target to Arabise 80 per cent of the workforce by 1987 and at present 450 of its 1,150 of its workforce are Arabs, many of whom have required expensive training.

The Dubai dock also has a training school to accommodate 150 trainees and a well-equipped training workshop with scaled-down tools, but the Government is not insisting on any definite Arabisation targets.

Freedom

This relative freedom from political constraints is an important plus for Dubai, whose Government has an excellent record of non-interference in industry and a bureaucracy which is remarkably small even for a very small State.

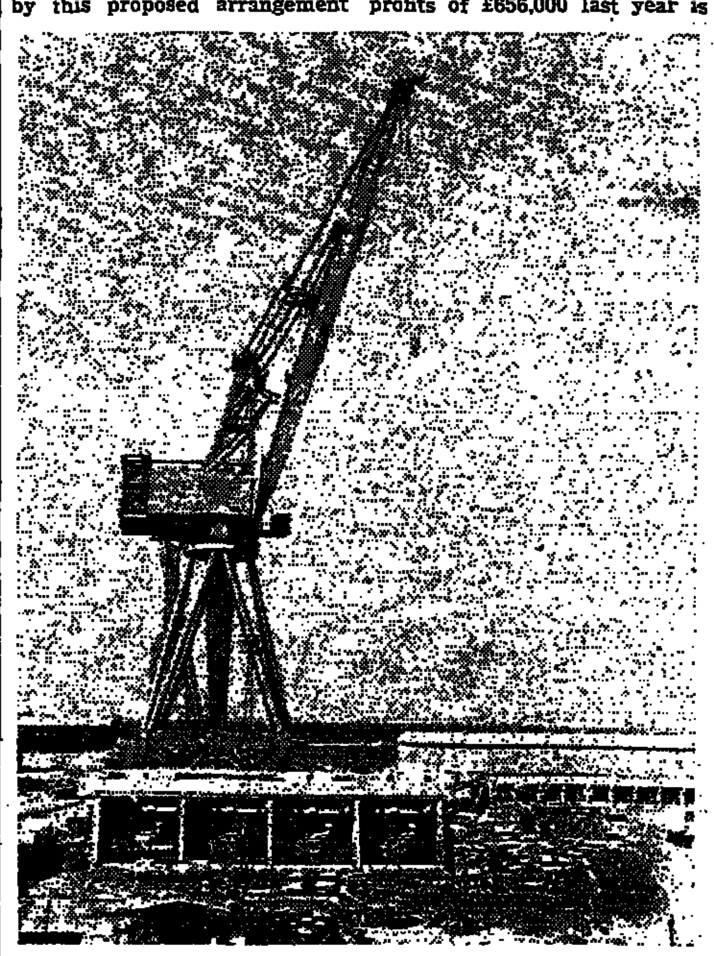
The dry dock's other advantages are the same as those of Bahrain: that it is located in the Gulf, which even in the depressed year of 1978 saw 3,887 tanker arrivals, of which almost 3,000 were ships in excess of *150,000 dwt*. These ships are arriving in an empty and therefore potentially gas free condition, which makes them possible candidates for repair. The actual number of vessels involved in the 150,000 dwt plus category is around 800.

None of these vessels, of course, is large enough to fill the 1m dwt dry dock which is the centrepiece of the Dubai yard. The idea of a million ton tanker was the logical expectation of shiprepairers in the pre-1973 boom when the Dubai facility was being conceived.

The million tonner has, as a result of the recession, remained on the drawing board and there is now much scepticism as to whether the pressures towards further economies of scale in tanker design will continue as world trade improves.

It is too early to tell whether the sceptics will be right. The Dubai Government's view is that Sheikh Rashid has been criticised for over-grandiose concepts in the past and confounded his critics by proving that demand for his projects existed.

Ian Hargreaves



The main substation (above) serves 25 smaller substations around the dry dock. Hawker Siddeley Power Engineering were the electrical sub-contractors.

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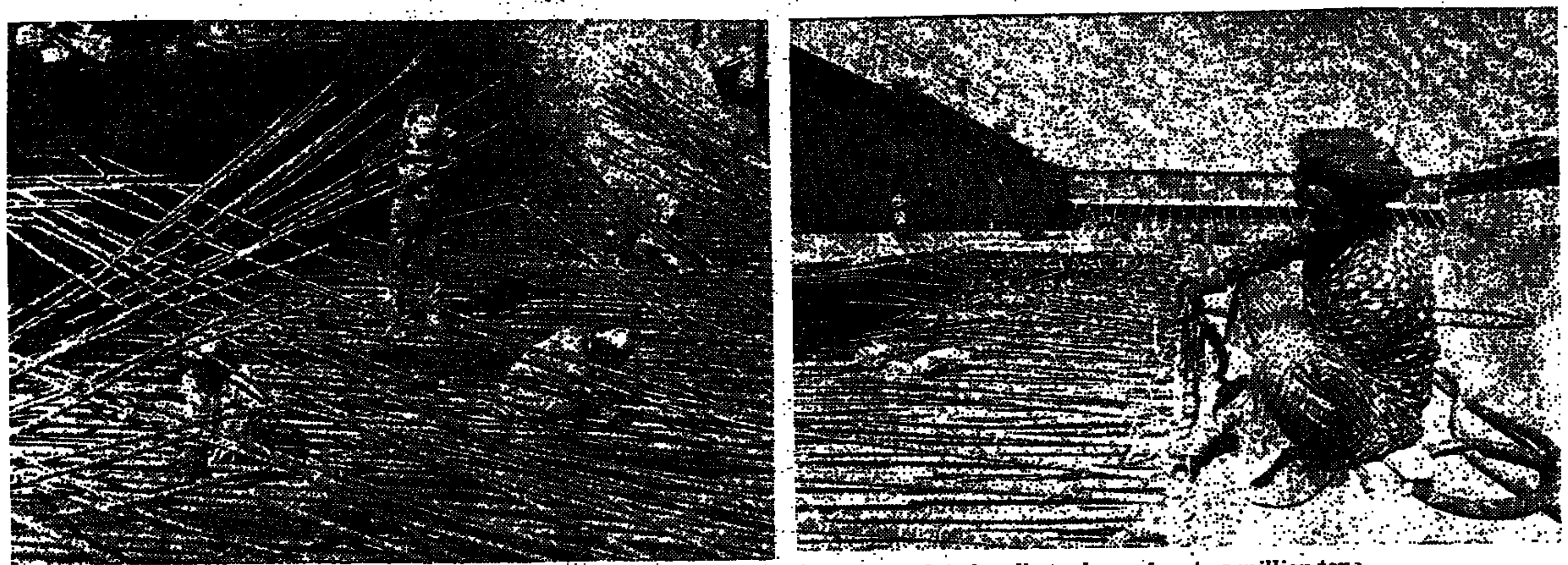
DUBAI DRY DOCK III



Work in progress on the floor of number two dock—an area large enough to handle tankers of up to a million tons

Sophisticated facilities

WHEN THE idea of building a dry dock first came to Sheikh Rashid, Dubai's ruler, his consulting engineers put forward a relatively modest scheme for one dock to handle ships of up to 370,000 tons. After the announcement of OAPEC's intention to build a similar dock in Bahrain, he opted instead for an even larger project and decided on a three-dock complex which could handle tankers of up to 1m tons.

Futuristic project or mere folly, the Sheikh has now created the world's largest dry dock and the most comprehensive and sophisticated engineering facilities in the Middle East.

Representatives of ship repair companies who have toured the site are impressed with its equipment, and when a British manufacturer of heavy plant went round the workshops recently he was amazed to find that Dubai's dry dock had facilities almost identical to those in his own factory.

It has been a sizeable investment for Sheikh Rashid, and when he first began borrowing money for the project on the international market, his Eurodollar loans were the largest he had ever undertaken.

The dimensions of the docks are enormous. The smallest measures 370 metres by 66 metres and can take vessels up to 350,000 dwt; the second dock is for tankers up to 500,000 dwt; and the largest dock (525 by 100 metres) can handle yet-to-be-built 1m-ton tankers. All are 12.5 metres deep.

The entrance to the dock is 350 metres wide and, following the advice of a number of tanker operators, faces in a north-easterly direction, which is nearly right angles to the direction from which the strongest winds come. The dredged depth is 11.5 metres below datum with future provision for deepening to 12.5 metres. The main breakwater is 3,267 metres long and the lee breakwater is 869 metres in length.

The docks' cranes are among the biggest in the world. The largest dock has two Clarke Chapman cranes which can lift 120 tons at a 65 metres radius. This permits a lift on the ships' centre line in the order of 200 tons. There are also two 15-ton cranes with a 70 metres radius, one on the outer side of each of the smaller docks and one 25-ton crane with an 80 metres radius crane on the finger pier.

There are two pump houses, sited at the seaward ends of the two central piers. Separately they can be used to empty the two outer docks, or together they can empty the main dock. Total emptying time with no ship in dock will be about five hours. The dock arms and ship access equipment, which has yet to arrive in Dubai, will provide for automatic and semi-automatic cleaning and painting of tanker hulls in two of the three docks.

To the side of the docks is the tank cleaning berth to enable vessels to have their cargo tanks cleaned and purged of inflammable gas and their oil bunkers emptied. Two standards of service will be offered: emptying of slops and bunker oil and filling the tanks with inert gas; and the second will also clean and desludge slops tanks and bunker oil tanks. A 250,000-ton tanker could be cleaned to the first standard in nine hours and the second standard within 24 hours.

The oil slops which remain are passed through a filtration plant which separates the oil and water, and the final effluent returned to the sea has an oil content not exceeding five parts per million, in accordance with international standards.

The workshops house the most sophisticated equipment yet seen in the region. The machine shop, for example, contains a milling and boring machine from the Asquith Machine Tool Co which weighs 165 tons and has a rotary work table 10ft square weighing 37 tons. It was made specifically for the dock's workshop. The shop also has a Noble and Lund rotor lathe, capable of taking turbine rotors up to 62ft long and weighing 100 tons. There is also a dynamic balancing machine for rotors up to 30 tons, a gear-cutting machine, a cylinder-boring and crankshaft turning lathe which is designed specifically for machining crankshafts, cylinder liners, stem tubes and propeller shafts.

The steel workshop and pipe shop houses a 700-ton frame bender from Hugh Smith of Glasgow for forming ships' frames, and the same company has also supplied a ring-frame press which has a maximum pressing force of 1,000 tons. The galvanising bath can accept two tons of mild steel fabrications an hour and measures 10 metres by two by one metre.

These are only the main features of the workshops. For the operators, they present any number of possibilities for diversifying their business. Such comprehensive equipment could enable them to enter into the oil field business, fabricating rigs for example, or providing components for the petro-chemical industry. A promising future could also lie in the maintenance field, for as many of Dubai's local industries come into operation, the dry docks' workshops of the dry dock could pick up work in repairing such components as turbines and other heavy equipment. The machine workshops promise to be a valuable asset to local industry. Nor need the market be restricted to Dubai and the UAF for the potential orders from other neighbouring countries which are also entering the industrial field is encouraging.

There are other facilities which give the operators a means of making money outside the general business of ship repair. The docks' laboratory offers metallurgical and chemical analysis, and non-destructive and mechanical testing. The departments will be able to carry out tests on quality control, give advice on corrosion problems, test weldings, castings and even analyse the quality of steel using such techniques as gamma radiography. As yet, there is no such sophisticated laboratory in the area, and so Dubai's laboratory could pick up lot of local and regional work in the testing and certification field. The dock complex also has a rope and chain-testing plant, also new to the region.

The other onshore buildings include a maintenance shop, blacksmith's shop, welfare office and clinic, and an administrative headquarters. The dock's training school has six classrooms for 20 students each and a lecture hall seating 30. The trainee workshop has some of the main workshops' equipment duplicated on a smaller scale so that students can learn techniques before going on to operate the full-size machinery.

Kathleen Bishtawi

How the project was financed

IT IS now 12 years since the Ruler of Dubai took out his first international loan to finance the development of his Emirate. This was for £6.5m to finance the start of what was to become the largest port in the Middle East area—Port Rashid.

Since then, Sheikh Rashid has gone to the international market 27 times, for sums varying from £265,000 to nearly a hundred times that amount. In these 12 years, international bankers have been scrambling to lend money to this business-like sheikh, and, even today, the offers of finance flow in from banks anxious to gain a new foothold in the region.

British banks, in particular, have played a prolific role in the history of Sheikh Rashid's borrowings. Owing to the banks' familiarity with the region and their long historical links with the Emirates, the British financial institutions were able to begin lending money to Dubai even before the union of seven sheikhdoms.

The newly-formed pan-Arab institutions are also beginning to play a significant role, and last year, for example, the BAII bank managed to tie up a $200m package for 1½ above the London interbank rate—one of the most attractive rates so far.

British Government credits have played a major role not only financing the Emirate's finance requirements for development, but also in promoting British exports. During the peak of development in 1976, Dubai hovered between first and second place with Saudi Arabia as the top Arab market for Britain—a not inconsiderable achievement for a town of less than 300,000 people.

When the Ruler decided to create a dry dock, he looked once more to the Eurodollar market and government credits for finance, although in the early stages of planning, the dock was a much smaller project.

In 1971 consultants produced a feasibility study for a one-dock dry dock for vessels of up to 370,000 tons. When, in 1973, the project was enlarged to a three-dock complex, the price was estimated at £91m. However, inflation after the oil price rises in 1973 was such that a further package of finance had to be arranged to pay for the increased costs.

The first package was a Government credit from Britain for £62m and $110m, but three years later a further £35m in export credits and $150m was raised.

Loans

However, the total finance arranged was not sufficient to pay for the entire cost, and a remaining sum of around £32m had to be paid out from the Ruler's own funds in May last year. The loans have varying maturities from five to 13 years, which means that Sheikh Rashid will still be paying for the financing of it in 1986, seven years after it has been in operation.

In the same way as Sheikh Rashid turned to the international money market for his first major project—the dry dock—so the developments at Jebel Ali have been financed in a similar way.

Jebel Ali infrastructure and its industry now absorbs around half of the Dubai Government's budget, for it is at this new town that Dubai is making its bid to become a regional industrial centre.

The 66-berth port at Jebel Ali will outrank any other in the Middle East. And unlike the other projects in the new city, the Ruler has decided to pay its construction cost out of his own funds. The aluminum smelter and associated desalination plant is, however, being financed completely out of the international market, half of which is being absorbed by British Government and German credits, the rest by syndicated Eurodollar loans.

Already, $800m has been raised, and a further package of EGCD credit totalling $320m is being arranged by a group of London banks, while another $230m is being sought through an internationally syndicated loan.

In the next two years, Dubai is likely to experience its peak period of debt servicing. Income is steadily rising with increases in production and OPEC prices.

According to statistics released by the Ruler's office, oil production has gone from 92m barrels in 1975, to 116m in 1976 to 114m in 1977, while last year's level was a record 134m barrels. The daily average isnow around the 363,000 b/d mark, some 30,000 b/d more than last year.

Revenue

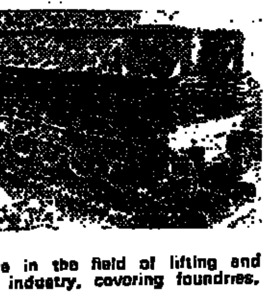
Revenue from oil has subsequently undergone steady rises, from a level of $860m in 1975 to $1.05bn in 1976 to $1.2bn the year after. Last year's income is expected to be about the same as that of 1977, but with the increases in production and the new OPEC rises, income for 1979 is calculated to fall between $1.3bn and $1.5bn.

However, considerable secrecy surrounds the distinction between the revenue of Dubai Government and that of its Ruler, and there is no information published on the foreign reserves of either.

In 1977, capital expenditure amounted to Dh 3,124m and the current budget totalled Dh 544m. In 1978, the first eleven months of expenditure was estimated at around the Dh 3bn mark with current items accounting for Dh 500m. Of this, the largest item by far was the Electricity Company which is costing Dh 15m a month in operating costs and subsidies. Some Dh 500m is expected to be paid out this year for the balance of the power station at Jebel Ali and for extending the distribution network to keep up with the growing demand.

Government accountants concede that the next two years will prove the most difficult for Dubai, for the above figures do not include the enormous sums paid out for repayments on foreign loans.

Kathleen Bishtawi



DUBAI DRY DOCK IV

Mr. David Chetwin, project director of the dry dock complex for the past five years

The building task

FOR THE past five years, David Chetwin has been the project director over one of the most complex tasks in engineering in the world, the dry dock in Dubai, a feat which he believes has cost him more than a few hairs.

When he talks about the project, the conversation assumes all the hallmarks of a vast military strategy, for his company, more than many, knows that a miscalculation in an area such as the Middle East can cost thousands. When you ask him what he *intends to do next*, he admits: "I don't know. It's a bit of a difficult act to follow!"

It was a difficult act to start, as well. For the contractors, their job was to convert what was a pleasant sandy beach in Dubai into a three berth dry dock. For the designers, Sir *William Halcrow*, it meant plans for a facility on the scale the world had never, until this decade, even imagined. Not surprisingly, they went to the oldest hands in the business, Swan Hunters of Britain, which was then considered in the running as a potential operator.

Opinions were also sought from other ship-repair yards, and even tanker operators were consulted on such decisions as the best location for the dock. For the joint venture team of Costain Taylor Woodrow International (which won the contract against another British firm and a U.S. company) more than 10 months of planning had to be completed in London before even the first engineers set foot in Dubai.

It was not the first time these two prominent British contracting companies had worked together. The joint venture had in fact undertaken a 22-berth extension in the emirate's Port Rashid, and Costain already had much experience in the area.

When the contract came into operation in *January, 1974*, it coincided with the quadrupling of oil prices by the OPEC states, and the effects of the rise was to severely hit the original joint venture estimates for the job of £162m.

The contract with the Dubai *Ruler was a negotiated one*, rather than an open tender. Although there is a large fixed price element in it, the contract does include a number of price escalation clauses to cover certain items. The effects of the general rise in world inflation, which followed the OPEC rise, has pushed the final price to over £252m, which necessitated further Eurodollar financing to be raised by Sheikh Rashid.

More than £200m was eventually raised for the project through various Government credits and syndicated loans, but from May, 1978 *onwards, foreign fundings* ran out, and the Ruler was obliged to pay from his own funds to complete the project.

The main inflationary factors hit both materials and men. Local semi-skilled labour costs rocketed to more than double from a daily rate of Dh10 *(£1.30) to Dh28 (£3.70)*. Reinforced steel increased from £90 a ton in 1973 to £200, and cement (which was priced six years ago at £16 a ton) soared to a record £50.

Not all the inflation was included in the escalation clauses; for example, expatriate staff wages went up 75 per cent during the construction period, and the joint venture also had to absorb this cost. Accommodation—although provided by the Ruler—also increased substantially in cost for the post OPEC price-rise years of 1973-76 was a boom period for the UAE. Local inflation raged at around 40 per cent, but has since been reduced by around 15 per cent annually. Even so, the dynamic *and variable economy of the* Emirates provided a high risk environment in which to work.

There were other local problems. In order to finish the project on time, more than 6,000 labourers were employed—and in the hot summer months *their productivity dropped to 75* per cent of normal levels.

The humid climate also caused major problems with erosion and the joint venture had to set up their own elaborate galvanising facilities. All the sand on the project had to come from the desert and had to be constantly checked for salt content.

Expansion

Even before work started, existing facilities had to be expanded to cope with the scale of the project. One of the first *tasks was to construct an 80 km* road to Hatta (a Dubai enclave in the hinterland) from where a million tons of concrete aggregate was provided for the project. The road alone cost £7m. Back at the beach site, a small harbour was constructed to help speed up the import of various materials, and thus avoiding 150 days of port congestion which hit Dubai shortly after.

After road works on the site had been completed, offices established and dredging started, an area was carved out for the manufacturing site of the caisson units.

These units form the side walls of the dock, and the casting of several hundred of them was a massive job. In all, 133 caissons, 17m in height—about the level of a six-storey building—had to be made, each weighing 3,250 tons. A further 29, each weighing 2,500 tons and 29m long, were also manufactured. The two major pump-house caissons were a massive 31m wide, 36m long and 19m high, and weighed over *11,000* tons each.

By the time the caisson manufacturing unit was fully underway, the joint venture was able to produce two average sized units a week. When completed, the units were placed into position by extremely skilful manoeuvring of tugs.

Once the edges of the caissons were filled with grout to form a watertight wall, the *dock then had to be emptied* of its water and a temporary cofferdam created. Docks two and three were completed, followed by dock one a few months later, in December 1976. The soft, sandy material which remained was cleared and a drainage system placed on top of a filter membrane. Then 1.5m concrete slabs were laid to create the dock floor.

The design of the dock gates is one of the unique features of the project, *and was the product* of consulting engineers T. F. Burns and Partners, conceived from an original idea by Taylor Woodrow. The gates are formed by buoyancy modules which are supported by props—a simple enough feature, but one which will considerably reduce main*tenance and allow for speedy* movements of ships in and out of the dock.

The venture is already into the maintenance period in parts of the dry dock, for out of 70 completion certificates entailed on the job, 15 have already been signed. Equipment still to arrive includes the dock arms from the German firm, Paul Hammelmann Maschinenfabrik Gmbh, which has been held up by the German steel strike. Also strike-bound is the ship access equipment from Non Corrosive Metal Products of Britain, and the dock elevators from EPL International. The delays on equipment mean that the final handing-over date may not be fixed until September.

K.B.

Industrial strategy

THE DRY dock in Dubai was the first venture of Sheikh Rashid into the field of heavy industry. Since then, the Emirate's Ruler has gone on to build the largest aluminium smelter in the Gulf and the largest port in the Middle East.

From the time the dock was conceived, he took the decision also to shift attention from the Dubai town itself and centre its industry around an area at Jebel Ali, which only two years ago, was a desolate sandy beach known only to local Arabs. Today, it takes more than half an hour to drive past Jebel Ali on the Abu Dhabi highway.

Despite the physical separation between the dry dock and the new industrial centre, there are enormous opportunities for co-operation. The machine and steel workshops at the dry dock contain some of the most advanced and sophisticated machines in the world and, already, industrialists in Jebel Ali are talking of the use they can make of it. The workshops offer potential in oil rig manufacture and any kind of repair and maintenance work on industrial heavy equipment. Dubal, operator of the aluminium smelter planned in Dubai, is already saying that if ever a fourth pot line was built at its smelter, much of the work could be done locally, at the Dubai dry dock.

As with all his other projects, Sheikh Rashid creates an infrastructure which he expects to be taken up by his local private sector. In Jebel Ali he has not only created the facilities, but also taken a lead in the scale of the industrial projects.

The core of the Sheikh's industrial strategy is gas, a commodity which is in surprisingly short supply in Dubai. Unless new reserves are found, the emirate could find itself having to import gas from nearby states. Already this prospect is looming near, with the decline of oil production expected to begin within the next two to three years. Similarly, the supply of associated gas will start to fall off and the need for further discoveries, or a permanent outside supply, becomes more urgent.

Present industrial plans for Jebel Ali-based industries already outstrip the supply of gas. Therefore, the most important project under way at Jebel Ali is the LPG plant under construction for Dugas, a company 80 per cent owned by the emirate government and 20 per cent by Scimitar Oils, a Canadian-owned company registered in Panama. The plant is to cost an estimated $80m and is designed to make use of all of Dubai's existing sources of gas, which currently run at 100m cu ft a day, excluding the gas needed by the local oil company for reinjection into the oil fields. The plant will produce an estimated 570,000 tonnes of propane a year, 280,000 tonnes of butane and 2.3m barrels of condensate annually. Already 45 per cent of the total output has been taken by C. Itoh of Japan. Scimitar is to be the operator of the project which is currently under construction by Bechtel and Hudson Engineering of Houston. It is due for completion in November this year.

Hopes

At first, there were hopes that the nearby emirate of Umm Al Quiwain would provide the needed supplies. First indications from one well proved encouraging, and a commitment was signed by Dugas to spend just under $40m to help the emirate develop the field. However, a second well was drilled and proved dry and hopes of a great gas future for Umm Al Quiwain are fading.

Oman is perhaps a more hopeful source of gas, but one which may not come on stream for some time. An encouraging gas find was made in the Shams area close to Buraimi which lies in the disputed area between the emirate of Abu Dhabi and Oman. The first well was found to have a potential of 20m cu. ft. a day, and a second well was decided upon by the fields' concession holders, Quintana and Gulf. However, last August, this well was also found to be dry.

Dubai needs an estimated 75-100m cu ft a day on top of what it is already supplied with from its own fields, oil industry sources in the emirate say. Further drilling is going on within its territory with two big drilling programmes under way. SEDCO has already started off the coast at Jebel Ali, and Dubai Petroleum Company is now embarking on developing the Rashid field, 40 miles offshore. The Rashid field is to be developed jointly by Dubai Petroleum and Dugas; the former is expected to drill three wells and Scimitar is planning another two or three. The development and exploration of the Rashid field is already expected to require further Eurodollar financing. However, the gas potential is not expected to do more than partially fulfil Dubai's needs, and in the first instance is expected only to fill up the excess design capacity of the Dugas plant. Its design capacity is 120m cu ft a day, 20 per cent more than present projected input.

In the meantime, Dugas has been obliged naturally to leave the search for more gas in the hands of its patron, Sheikh Rashid. There are further hopes for Oman, though some observers believe that whatever is discovered there may in the end be channelled into local industry and local energy requirements, to help meet Oman's own balance of payments problem when the oil begins seriously to decline.

Another possibility is Abu Dhabi, which despite its planned industrial and gas projects, may possibly be the provider to Dubai, so rich is it in gas. Such an alternative may strike a discordant note in Sheikh Rashid's traditional policy of economic independence from the capital though. Qatar, which has the world's largest known gas field, is also another possibility, though as oil industry sources point out, the longer the pipeline has to be, the cheaper the price must be at the well head to make the project viable.

The problem is becoming urgent because Dubai's oil production, and therefore supplies of associated gas, will start declining in two to three years' time. Furthermore, some of the larger gas-based industries will begin production at about the same time.

The largest of these projects is the Dubal aluminium factory and desalination plant, which alone will require over 100m cu ft of gas a day. The operator, Dubal, says that any other form of energy such as distillate is completely out of the question economically, though it is having to use distillate in the initial stage of operation when trainees are being introduced to the plant's equipment.

When the aluminium smelter and desalination and power plant were first conceived, their cost was estimated at $612m. At that time, it was the largest Eurodollar loan and package of government credits Sheikh Rashid had ever taken on. Since then construction costs have climbed to above the $1bn mark.

Like the dry dock itself, the aluminium smelter is one of Sheikh Rashid's most controversial projects, for it repeats the industrial strategy of Bahrain where there is already a dry dock and smelter in operation. The competitive rivalry between the two centres (felt more keenly by Bahrain than Dubai) stepped up when Dubal appointed as its managing director, Mr. Ian Livingstone, former head of the smelter plant in Bahrain.

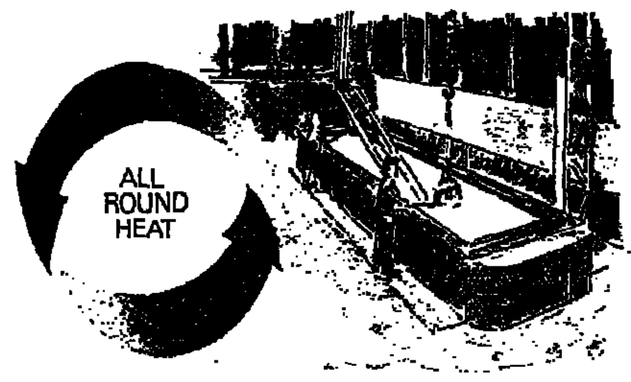
Investment

Yet Livingstone still firmly believes that Dubal can make a profit, even though Dubal's plant represents such a high capital investment. Over half the investment for Dubal's plant went into much-needed infrastructure, he points out, making it quite different in scope to the Bahrain project.

Livingstone hopes that given good management, an increase in the metal prices and continuous production, that the investment will be recovered "within a reasonable time," which he interprets as being within a decade. "It is an expensive smelter, merely because it is the latest smelter to be built. But we think the market looks good," he concludes.

Perhaps one of the more disappointing aspects of the project is the lack of interest shown by Dubai nationals in working on the plant. Dubal currently has "a couple of nationals" working with them, but expects its workforce to be made up mainly of Philipinos, Indians and Pakistanis, with senior management from England and the U.S. Some Pakistani supervisors already are being trained in the Southwire plant in Georgia, but as yet no Dubai Arabs have come forward for operational posts. Dubal makes it clear that it would welcome such applicants if they are willing to work as hard as the imported labour. Above all, Dubai officials point out, Sheikh Rashid wants Dubai to make money.

K.B.



AUTHORISED UNIT TRUSTS

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	67.8	72.5xd	+0.5	5.74
Brit. Inds. Fund	65.6	70.7	+0.6	5.56
Grth. & Inc.	37.2	39.8	+0.4	5.53
Elect. & Ind. Dev.	35.9	38.4	+0.3	4.69
Allied Capital	71.7	76.7	+0.5	4.72
Hambro Fund	109.7	117.4	+1.0	5.32
Hambro Acc. Fd.	126.4	135.2	+1.2	4.85
Income Funds				
High Yield Fd.	71.8	76.8xd	+0.4	8.46
High Income	67.6	72.3	+0.5	7.22
A. H. Eq. Inc.	39.1	41.8xd	+0.4	7.34
International Funds				
International	26.7	28.6xd	.....	2.30
Pacific Fund	43.9	47.0	−0.1	1.87
Secs. Of America	55.3	59.2	−0.1	1.94
Specialist Funds				
Smaller Co.'s Fd.	38.4	41.1	+0.2	4.62
2nd Smlr. Co's Fd.	50.5	54.0	+0.3	4.41
Recovery Sits.	99.5	106.5	+0.8	5.76
Met. Min. & C'dty.	45.1	48.5	+0.1	4.73
Overseas Earnings	59.6	63.8	+0.6	4.55
Exempt Funds				
Far East Exempt	46.4	48.3	−0.4	2.06
Smaller Co. Exempt	63.3	66.0	+0.4	4.63
U.S.A. Exempt	98.4	102.5	.....	2.15

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	51.9	55.8	.....	4.58

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	160	170xd	.....	—

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

**High Yield	46.6	50.7	+0.5	10.60
**(Accum. Units)	69.4	74.7	+0.6	10.60
Extra Income Fd.	107.7	116.5	+1.2	10.66
High Inc. Fund	40.8	44.4xd	+0.3	9.29
(Accum. Units)	59.3	64.1xd	+0.5	9.29
(8½% W'drwl. Uts.)	54.0	58.7xd	+0.5	9.29
Preference Fund	23.4	25.5	.....	13.26
(Accum. Units)	38.0	41.4	+0.1	13.36
Capital Fund	18.7	20.2	.....	—
Commodity Fund	66.6	70.8	+0.3	5.13
(Accum. Units)	95.9	103.2	+0.5	5.13
(10% W'drwl. U.)	55.8	60.0	+0.3	5.13
Fin.&Prop. Fd.	17.9	19.5	.....	2.83
Giants Fund	38.6	42.0	+0.2	5.11
(Accum. Units)	46.3	50.3	+0.3	5.11
Growth Fund	33.7	36.7	+0.5	4.51
(Accum. Units)	41.2	44.8	+0.6	4.51
Smaller Co's Fd.	29.2	31.8	+0.3	5.59
Eastern & Intl. Fd.	23.8	25.9	−0.2	1.18
(6% W'drwl. Uts.)	18.1	19.7	−0.2	1.18
Foreign Fd.	86.0	92.5	.....	1.35
N. Amer. & Int. Fd.	28.6	31.1	−0.2	1.08

Archway Unit Tst. Mgs. Ltd.v (a)(c)
317, High Holborn, WC1V 7NL. 01-831 6233

Archway Fund	83.4	88.7	.....	6.47

Prices at Feb. 22. Next sub. day March 1.

Barclays Unicorn Ltd.v (a)(c)(g)
Unicorn Ho. 252, Romford Rd., E7. 01-534 5544

Prices on Feb. 21. Next dealing Feb. 28.

Framlington Unit Mgt. Ltd. (a)
5-7 Ireland Yard, EC4B 5DH. 01-248 6971

American	48.2	51.2	.....	1.10
Capital Tst.	139.8	148.6	+2.8	3.84
Income Tst.	109.6	116.5	.....	7.59
Int. Growth Fd.	118.0	125.4	.....	2.10
Do. Accum.	122.6	130.4	.....	2.10

Friends' Provdt. Unit Tr. Mgrs.v
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	44.5	47.5	+0.3	4.59
Do. Accum.	58.6	62.6	+0.3	4.59

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Feb. 15	101.1	103.2	.....	4.84
Gross Income Feb. 15	74.5	76.6	.....	9.40
High Yield Feb. 15	86.4	87.5	.....	9.03

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.v
16 Finsbury Circus, EC2M 7DD. 01-628 8131

G.T. Cap. Inc.	90.9	96.6	+0.7	3.10
Do. Acc.	111.5	118.6	+0.9	3.10
G.T. Inc. Fd. Un.	168.7	179.4	+1.9	8.50
G.T. U.S. & Gen.	125.6	133.6	−0.5	3.10
G.T. Japan & Gen.	88.9	93.8	+0.2	1.60
Gt. Pens. Ex. Fd.	163.0	171.1	.....	3.70
G.T. Intl. Fund	148.1	157.5	−0.1	2.10
G.T. Four Yds. Fd.	54.9	58.4	.....	8.60
G.T. Far East & Gen.	45.9	49.3	+0.2	2.00

G. & A. Trust (a)(g)
5 Rayleigh Road, Brentwood (0277) 227300

G. & A.	33.9	36.2	+0.5	5.08

Gartmore Fund Managersv (a)(g)
2 St. Mary Axe, EC3A 8BP. 01-283 3531

American Tst.	25.9	27.9	−0.2	0.10
British Tst. (Acc.)	57.8	62.2	+0.4	3.42
Commodity Share	172.1	185.1	+0.4	3.62
Extra Income Tst.	25.0	26.9	+0.2	8.51
Far East Trust	35.7	38.4	−0.3	0.25
High Income Tst.	59.2	63.7xd	+0.3	9.24
Income Fund	75.6	81.3xd	+0.5	6.75
Ins. Agencies	£14.49	15.28xd	+0.15	3.63
Intl. Exempt Fd.	91.3	98.2	+0.9	6.66
Intl. Tst. (Acc.)	32.0	34.4	−0.1	0.59

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2. 01-588 4111

Extra Income	29.5	31.7xd	+0.8	10.10
Income	44.2	47.5	+0.2	8.30
Accumulation	57.8	73.7	+2.6	1.80
Growth	41.6	45.3	+2.0	3.20
Capital	43.9	47.1	+0.5	4.30
Small Co's	40.3	43.8xd	+1.8	4.90
Technology	64.2	69.0	+0.6	2.40
Private	38.1	41.0xd	+0.8	3.40
Intl. Erns. & Assets	47.8	50.5	+0.3	4.00
American	22.6	24.4	−0.1	2.60
Far East & Gen.	25.4	27.4	−0.1	1.40
Far East Trust	28.2	30.4	−0.2	1.50

Govett (John)v
77 London Wall, EC2. 01-588 5620

S'hlr. Feb. 16	139.5	147.0	.....	2.38
Do. Accum. Unit	169.4	178.6	.....	2.38

Next dealing March 2.

Equity & Law Un. Tr. M.v (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	68.5	72.1	+G.N	4.43

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101

Growth Units	57.1	60.1	+1.6	4.29

CORAL INDEX: Close 465-471

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	11.75%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund	US$7.13			—

Net asset value February 22.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1, Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg. Fd.	£10.39	10.43xd	.....	12.62

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	112	116	.....	4.31

Next dealing date March 6.

Gov't Secs. Tst.	90	92xd	.....	13.59

Next dealing date Feb. 26.

East & Intl. Tst. (C.I.)	97	104	.....	3.61

Next dealing date March 8.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127, Kent St., Sydney

US$1 Shares	$US1.48		.....	—

Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	$US112.09	112.67	.....	8.21

Prices at Feb. 15. Next sub. day Feb. 21.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund LF	1,905	1,964	+1	8.05

Barclays Unicorn Int. (Ch. Is.) Ltd
1, Charing Cross, St. Helier, Jsy. 0534 73741

Overseas Income	43.9	46.2xd	+1.2	13.00
Unidollar Trust	$US10.99	11.69	.....	*1.70
Unibond Trust	$US103.06	103.96	.....	9.00

Barclays Unicorn Int. (I.o.Man)
1, Thomas St., Douglas, I.o.M. 0624 4856

Unicorn Aust. Ext.	55.1	59.3xd	.....	1.50

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070

Fonselex	Fr1,362	1,491	.....	2.40
Bondselex	Fr119.05	125.00	.....	—
Cent. Assets Cap.	£141.93	142.02	+0.06	—

King & Shaxson Mgrs.
1 Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Grnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	8.98	9.02	.....	13.25
Gilt Trust (I.o.M.)	101.4	104.1	.....	13.25
Gilt Fnd. Guernsey	9.35	9.38	.....	13.25
Intl. Govt. Secs. Tst.				
First Sterling	£17.58	17.62	.....	—
First Intl.	$191.67	191.71	.....	—

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000

Eurinvest. Lux. F.	1,109		.....	3.15
Guernsey Inc.	66.5	70.4	.....	3.89
Do. Accum.	83.3	88.2	.....	3.89
KB Far East Fd.	US$13.20		.....	1.52
KB Intl. Fund	$US12.21		.....	1.98
KB Japan Fund	$US[illegible]	−0.10	.....	0.68
K.B. U.S. Gwth. Fd.	$US12.64xd		.....	1.58
Signet Bermuda	$US5.07		.....	1.77
K.B. Int. Bd. Fd.	$US101.54		.....	—

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561

Lloyds Tst. O'seas	56.4	59.4	.....	0.51

Next dealing March 15

Lloyds Trust Gilt	£10.08	10.09	.....	12.25

Next dealing March 7.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)

Lloyds Int. Growth	SF330.0	342.50	.....	1.30
Lloyds Int. Income	SF292.50	304.0	.....	5.30

Management International Ltd.
Bank of Bermuda Building, Bermuda

C'bury Feb. 16	$US24.750		.....	—

Jardine Fleming & Co. Ltd.
Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$313.99			2.40
Jardine J'pn Fd.*	HK$397.14			0.90
Jardine S.E.A.	$US17.37			1.90
Jardine Flem. Int.	$US12.03		.....	—
Int. Pac. Secs. (Inc.)	HK$13.34			—
Do. (Accum.)	HK$13.53			—

NAV Feb. 15. *Equivalent $US65.17. Next sub. day February 15

Metals Tst. Feb. 15	£15.04	15.41	.....	5.46
TMT Feb. 8	$US10.45	10.72	.....	2.86
T.M.T. Ltd. Feb. 8	£10.51	10.78	.....	1.26

World Wide Growth Managementφ
10a, Boulevard Royal, Luxembourg

Worldwide Gth. Fd.	$US16.20	−0.02		—

Wren Commodity Trust
10 St. George's St., Douglas, IoM. 0624 25015

Wren Commod. Tst.	111.7	112.8	.....	—

NOTES

... do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. ...% (shown in last column) allow for all buying expenses. a Offered prices include all expenses. ...ay's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free ...taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all ...ses except agent's commission. y Offered price includes all expenses if bought through managers. ...vious day's price. v Net of tax on realised capital gains unless indicated by φ. ¶ Guernsey gross. ...pended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

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30 Je 31 D	Do. 7¼pcADeb. '89-92	60	27.11	12.49	14.30
31Mr 30S	Do. 7¼pcA Db. '91-94	57xd	12.2	12.72	14.20
31Mr30S	Do. 9pc'A' '91-94	67xd	12.2	13.43	14.40
28F 31A	Do. 8¾pcLn. '92-97	64½xd	29.1	13.76	13.90

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
—	Antofagasta Rly.	22	87.1	—	—
1J 1J	Do. 5pc Pref.	40	13.11	—	—
1J 1J	Chilean Mixed	98	2.10	—	£3.10

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 47¾% (based on US$2.0103 per £)
Conversion factor 0.6763 (0.6830)

CANADIANS

S.E. List Premium 47¾% (based on $2.4044 per £)

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
—		F. C. Finance	63	16.10	2.03	2.6	4.8	12.1
—		First Nat. 10p	6½	97.4	—	—	—	—
—		Do. Wrts. 75-83	2½	—	—	—	—	—
—		Fraser Ans. 10p	13¼	87.6	—	—	—	—
June	Dec.	Gerrard Natnl.	196	30.10	g9.12	—	6.9	—
May	Nov.	Gibbs (A.)	50	2.10	2.23	—	6.7	—
Mar.	Aug.	Gillett Bros. £1.	233	7.8	16.95	—	11.4	—
June		Goode D't Mry.5p	25	17.4	0.13	—	0.8	—
Nov.	April	Grindlays	124	21.8	2.79	7.1	3.4	4.4
April	Oct.	Guinness Peat	103xd	12.2	H5.67	—	8.2	—
Dec.	July	Hambros	176	27.11	†9.76	—	8.3	—
Dec.	July	Hill Samuel	84	13.11	†4.97	—	8.8	—
—		Do. Warrants	40	—	—	—	—	—

BANKS & HP—Continued

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AUSTRALIAN

TINS

COPPER

June	Dec.	Messina R0.50	98	12.12	—	—	—

MISCELLANEOUS

—		Barymin	68	—	—	—	—
—		Burma Mines 17½p	11	575	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	310	3.1	—	—	—
November		Northgate C$1	385	30.9	—	—	—
Jan.	July	R.T.Z.	294	30.10	9.5	2.8	4.8
—		Sabina Inds. C$1	59	—	—	—	—
—		Tara Exptn. $1	875	—	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$13	2.1	Q190c	ф	16.8
Aug.	Feb.	East Drie R1	$10⅝	2.1	Q115c	ф	12.5
Aug.	Feb.	East Rand Prp. R1	410c	2.1	Q10c	—	—
June	Dec.	F.S. Geduld 50c	$23¼	30.10	Q315c	2.4	15.2
June	Dec.	Pres. Brand 50c	$13⅜	30.10	Q150c	3.2	12.9
May	Nov.	St. Helena R1	$13½	2.10	Q190c	1.4	16.2
Aug.	Feb.	Stilfontein 50c	550c	2.1	Q66c	2.3	13.8
Aug.	Feb.	Vaal Reefs 50c	$23¾	29.1	Q280c	ф	13.6
Feb.	Aug.	West Drie R1	$32¾	2.1	†Q385c	1.7	13.5
June	Dec.	West Hldgs. 50c	$29	2.5	Q415c	1.4	16.4
Feb.	Aug.	Western Deep R2	$11⅞	29.1	Q147½c	2.4	14.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ф Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

"Recent Issues" and "Rights" Page 27

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sheffield Brick	54	......
Ash Spinning	106	......	Sheff. Refrshmt	70	......
Bertam	20	......	Sindall (Wm.)	120	......
Bdg'wtr. Est. 50p	340	+8	**IRISH**		
Clover Croft	28	......			
Craig & Rose £1	710	......	Conv. 9% '80/82	£89¼xd	+¼
Dyson (R. A.) A	36	......	Alliance Gas	107	......
Ellis & McHdy	68	......	Arnott	400	+5
Evered	26	......	Carroll (P.J.)	100	−1

OPTIONS

3-month Call Rates

FINANCIAL TIMES

Monday February 26 1979

Japanese visit a lift to UK export hopes

BY LORNE BARLING

THE BIGGEST Japanese trade mission ever to visit Britain, 100 strong, arrived in London yesterday, providing evidence that Japan intends to reduce its trade surplus by increasing imports rather than limiting exports.

However, in spite of the size of the mission and UK success in raising its exports to Japan to £540m last year, up 15 per cent on 1977, immediate sales are unlikely to have much impact on the visible UK deficit now running at well over £700m a year.

The British Overseas Trade Board nevertheless sees this as an opportunity for UK companies to take advantage of the apparent Japanese willingness to buy and also offer advice on trading with Japan.

One of the most promising areas is consumer goods, because of the strength of the yen, and the mission's large retail group, headed by Mr. S. Okada, president of Mitsukoshi, Japan's biggest department store, which is planning a special British promotion soon.

The mission will be led by Mr. T. Matsuo, president of the Marubeni Corporation, one of the largest trading companies. It is split into groups covering foodstuffs and consumer goods, textiles and clothing, machinery (including agricultural equipment), electronics and medical equipment, and investment from abroad.

The week-long programme includes visits to Scotland, Wales, Northern Ireland and the major industrial areas, and the leader's group will meet Mr. John Smith, Trade Secretary, and other Ministers.

Compared with the rest of Europe, Britain's exports to Japan has been good, with sales now double that of France and two-thirds of West Germany. However, there has been tough competition on consumer goods from France and Italy.

The UK trade board believes that in the consumer goods sector, textiles for clothing and household use are likely to be in strong demand.

Efforts are also being made to promote environmental engineering products, process plant for third-country projects, agricultural machinery and even electrical components.

It is pointed out that Japan buys electrical components worth about £400m a year, and export opportunities must exist in spite of doubts in the industry. Exporters of medical equipment are more hopeful of orders.

The outcome of the visit, which is seen by some industries as a test of Japanese willingness to put its import policy into practice, has considerable bearing on the future of trade relations with the UK.

British figures show that the trade imbalance between the two countries has been growing rapidly since the first deficit of £45m was recorded in 1971. However, Japan claims that in dollar terms the visible deficit fell by 3 per cent last year.

Hitachi seeks European micro-processing base, Page 2

Ministers pin survival hopes on Thursday's referendum

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS ARE cautiously optimistic that Thursday's referendum in Scotland will produce a result which will ensure the continued support of the Scottish Nationalists for another few months and so underwrite the Government's life until an autumn election.

Nevertheless the Prime Minister acknowledged at the weekend that the party could be forced into an early election.

The support of the 11 SNP members at Westminster will become even more vital when Parliament reassembles next week as the Conservative numbers are likely to be increased by two victories in bye-elections this week.

This will mean that Labour is in a minority of 16 and add to the pressure on the Government to keep the Scottish Nationalists dangling with promises of an assembly regardless of whether Thursday's poll meets the 40 per cent rule.

Yesterday, the SNP made it clear, however, that it would not be kept on a string for long without tangible evidence of action.

With the Government's hopes of improving its standing in the national polls dashed by the latest setback in the public service workers' dispute, the feeling increasingly is that it would be very dangerous to be forced to the polls before the autumn.

A spring election would be too close to the present industrial troubles for comfort while there is increasing support for the view that if the General Election was held on the same day as that for the European Parliament it would only provide the Conservatives with fodder for their argument that Labour is divided on key issues like Europe since the party will be fighting the two elections on two very different manifestos.

The Prime Minister is expected to make his determination not to be rushed into an election clear when he appears on BBC Television's "Panorama" tonight. He is also likely to use the interview to make a final appeal to the Scottish and Welsh Nationalists to grasp the opportunity of devolution while it is still on offer.

At the weekend, he conceded that he might be forced into a General Election immediately after the referendum polls. During a private briefing for prospective Labour candidates, he apparently implied that they should be prepared for an election at the end of March.

Government aid unlikely for European campaigns

BY ELINOR GOODMAN, LOBBY STAFF

THE POLITICAL parties look like having to fight the forthcoming direct elections for the European Parliament without any financial support from the Government. Ministers have virtually ruled out the possibility of getting the necessary legislation through the Commons before June 7.

This means Labour will only be able to afford a low key campaign and that their publicity effort will be dwarfed by that of the Conservatives. Prospective Tory candidates for Europe were apparently told at a meeting yesterday that there would be no shortage of funds to fight the European elections.

Central Office is expected to pay for a media campaign which will probably be handled by the advertising agency, Saatchi and Saatchi and companies have apparently responded generously to the party's request for money for the European campaign.

Although the Conservatives' funds will be stretched to finance two election campaigns this year, the organisers are confident there will be enough money to put across their European message.

The Labour Party, on the other hand, will be relying almost entirely on a grant from the Confederation of European Socialist parties. This will pay for the printing of the manifesto, which is very hostile to the whole idea of the EEC.

Last-ditch appeal to Welsh, Page 4; Knutsford by-election feature, Page 6; Scottish suspicions, Page 25

Sasse meeting may reveal size of extra losses

MEMBERS of the troubled Lloyd's of London underwriting syndicate headed by Mr. Frederick Sasse have been called to a meeting on March 6, at which they are expected to *be given an indication of what* further losses they may face.

So far, members of the syndicate have been asked to pay £54,850 each if they have underwritten a £40,000 standard share of the premium of the syndicate. These losses stem mainly from $10m (£5m) claims arising on property fire risks in the U.S.

The syndicate has been unable to recover payments it claims are due from the Brazilian Reinsurance Institute. Because of the refusal of the Brazilians, who are contesting the claims in the courts, the syndicate faced a serious solvency problem and was suspended from underwriting at Lloyd's in December, 1977.

The syndicate also faces losses on Canadian fire insurances, amounting to more than C$5m (£2.1m) and individual members who have underwritten a standard share could have to pay £32,000 or more.

Weather

UK TODAY

MOSTLY dry. Sunny periods.

London, S.E., Cent. S., Channel Isles

Mist and fog patches soon clearing. Dry, sunny spells. Max. 7C (45F).

East Anglia, Midlands, E., N.W., Cent. N., Wales

Mostly dry. Rather cloudy. Max. 8C (46F).

Lakes, I. of Man, N.E., S.W. Scotland, Islands

Cloudy with outbreaks of rain. Max. 7C (45F).

● **Outlook:** Occasional rain, but becoming rather cold and changeable in North.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	13	55	Lisbon	F	10	50
Algiers	C	9	48	Locarno	S	7	45
Amsdm.	C	1	30	London	S	5	41
Athens	F	9	48	Luxmbg.	F	−2	28
Bahrain	S	23	73	Luxor	C	25	77
Barclna.	S	12	54	Madrid	S	7	45
Beirut	S	16	61	Majorca	F	9	48
Belfast	F	7	45	Malaga	F	13	55
Belgd.	S	5	41	Malta	C	13	55
Berlin	S	0	32	M'chstr.	S	5	41
Biarritz	F	6	43	Melbne.	Fg	21	70
Bmghm.	S	3	37	Milan	S	8	46
Blackpl.	S	6	43	Mntreal.	C	−9	16
Bordx.	C	5	41	Munich	F	−2	28
Boulgn.	F	4	39	Nairobi	S	23	74
Bristol	S	4	39	Naples	F	12	54
Brussels	C	−3	27	Nwcstl.	S	7	45
Budpst.	C	2	36	N. York	R	6	43
B. Aires	S	35	95	Nice	F	13	55
Cairo	S	25	78	Oporto	S	11	52
Cardiff	S	2	36	Oslo	F	−2	28
Cas'b'ca	F	15	59	Paris	F	−2	38
Cape T.	S	22	72	Perth	C	22	72
Chicago	S	−6	21	Prague	C	−1	30
Cologne	C	0	32	Reykjvk.	C	1	30
Cpnhgn.	S	2	36	Rhodes	S	13	55
Corfu	S	12	54	Rio J'o	S	30	86
Dublin	F	8	46	Rome	F	14	57
Ednbgh.	F	7	45	Slzbrg.	Sn	−2	28
Faro	F	12	54	Singapr.	S	29	85
Florence	S	9	48	Stckhm.	F	3	37
Frankft.	F	0	32	Strasbg.	F	1	34
Funchal	C	16	61	Sydney	C	27	81
Geneva	C	2	36	Tangier	F	16	61
Gibrltr.	F	15	59	Tehran	S	11	52
Glasgow	S	6	43	Tel Aviv	S	17	63
G'rnsey	S	5	41	Tenerife	S	16	61
Helsinki	F	−2	28	Tokyo	S	10	51
H. Kong	C	24	75	Toronto	C	−7	19
Innsbrk.	F	3	37	Tunis	S	10	50
Invrnss.	S	8	46	Valencia	C	11	52
Istanbul	F	3	37	Venice	S	7	45
Jersey	S	6	43	Vienna	Sn	0	32
Jo'burg	C	26	79	Wrsw.	Sn	−3	27
L. Plms.	S	19	66				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

U.S. considers army presence in Gulf area

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE U.S. may have to resort to mounting a military presence to assure the security of the oil-producing Gulf area, Dr. James Schlesinger, the Energy Secretary, said yesterday.

In a television interview, Dr. Schlesinger several times emphasised that American "vital interests" were at stake in the Gulf and that the issue of a military presence was presently under consideration by the Carter Administration.

Dr. Schlesinger has regularly of late spoken of the need to assure such countries as Saudi Arabia of U.S. concern for their stability.

Although his views are considered more hawkish and alarmist than other members of the Administration here, they do reflect one wing of the burgeoning debate here about how far the U.S. can go to protect vital interests such as oil supplies.

Some endorsement of his position had been provided in an earlier television interview, when Dr. Harold Brown, the Defence Secretary, said that in protection of vital Middle East oil supplies, "we will take any action that is appropriate, including military force."

Both men pointed to the fact that President Carter, in his foreign policy address in Atlanta last week, at least allowed for such an eventuality.

The Energy Secretary flatly declined to speculate on what sort of military presence was under consideration in the wake of analysis submitted to President Carter by Dr. Brown, who visited the Middle East earlier this month. But he did appear to discount the actual deployment of troops, which he said was "another question."

Saudi Arabia is known to have been pressing the U.S. for a greater commitment to security in the Gulf and there has been talk of a serious rift between the two countries, with the Saudis showing their displeasure by calling off the planned visit to Washington next month by Crown Prince Fahd. The U.S. insists, however, that the trip was postponed for health reasons.

Dr. Schlesinger did say yesterday that Saudi Arabia had provided the U.S. with "some indications" that it would continue to produce more than its designated output of crude oil even after partial Iranian exports were resumed, but he stressed that "no iron-clad commitment had been received."

The Energy Secretary also argued once again that the U.S. could face a difficult winter next year if the oil stocks now being depleted by the absence of Iranian oil were not replenished over the summer. The U.S., he said, had to "change its habits" on energy consumption, make greater use of non-oil energy, and probably water down existing laws protecting the environment, and the Government would most likely enact "strong measures" to curb petrol usage.

And President Carter intervened directly in the Middle East peace talks yesterday afternoon, conferring in the White House with the Egyptian and Israeli Foreign Ministers.

Afterwards both men were due to fly back to consult their respective Governments after the four days of intense negotiations in secrecy at Camp David, Mr. Carter's mountain retreat.

All the parties involved warned against reading too much in the decision of the foreign ministers to adjourn the talks.

The main question is whether President Carter's direct involvement means that he is paving the way for a second tripartite summit with President Sadat of Egypt and Prime Minister Begin of Israel.

Fluor wins contract for South African £2 bn oil project

BY JOHN WYLES

FLUOR CORPORATION, one of the leading U.S. engineering and management services companies, has captured the construction contract for South Africa's planned £2bn expansion of its SASOL 2 project.

Fluor's announcement followed swiftly the South African Government's decision disclosed last Thursday to expand SASOL 2 which is designed to extract oil and gas products from coal. Fluor was awarded the original contract for Phases One and Two of SASOL in March, 1975, and they are expected to be completed next year.

Expansion of SASOL stems from the vulnerability of South Africa's crude oil supplies, which has been heightened by the loss of deliveries from Iran following thet revolution there. With the Islamic Government of Ayatollah Khomeini taking a hard line against South Africa, there may be some speculation as to whether Fluor's continued involvement in SASOL will affect its prominent contracting position in the Arab world.

The Californian company's largest single overseas contract is in Saudi Arabia where Aramco has contracted for a $5bn complex of facilities to capture gas being flared off from oil wells as waste. Fluor also has another $1bn contract in Saudi Arabia.

The new SASOL contract may also attract some criticism in the U.S. where doing business with South Africa is a much more delicate political issue for U.S. corporations than it was when Fluor signed the original SASOL contract.

Fluor's brief announcement estimated the cost of phases three and four of SASOL 2 as "more than $2bn" and scheduled their completion for 1982. The completion date, but not the cost figure, is in line with last week's statement by Mr. Chris Heunis, South Africa's Minister of Economic Affairs, who claimed that expansion of SASOL 2 in the Eastern Transvaal would be both quicker and cheaper than developing a new site.

Fluor Corporation earned revenues in 1978 of $2.8bn and net profits of $80m. It is working on contracts worth $11.5bn and has another $7.6bn, including the Alaskan segment of the proposed gas pipeline from the north Slope to Yukon, signed up but not yet started.

THE LEX COLUMN

Seeking an encore on Paris Bourse

The Paris Bourse finished 1978 about 60 per cent above its lowest point for the year, and, thanks to the firming of the franc, even richer pickings were available to foreign investors. So far this year, however, the market has drifted lower and is now very much looking for a new impetus after the spectacular rise between last March and last September.

To catch the best of the boom last year an investor would have had to be holding stock before the elections. This would have meant disregarding the almost unanimous advice of the French broking community, which was cast into desperate gloom by the prospect—the probability, as it appeared at the time—of a Left-wing victory. State institutions were supporting the Bourse just before the polls and some brokers were advising their clients to treat this as a selling opportunity.

A conference held in Paris last week, flamboyantly organised by stockbroker Bertrand Michel, presented the other side of the coin. Ten companies discussed their business before foreign investors and at the end of the conference Prime Minister, M. Raymond Barre, put in an appearance to reinforce the general message. French stocks are still cheap, he *proclaimed, and foreign institutions* do not hold enough of them.

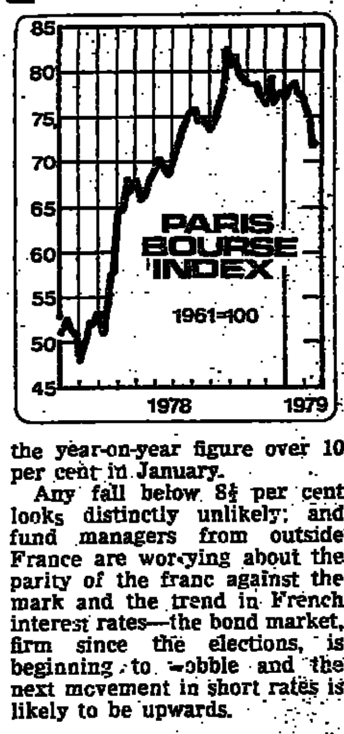
Foreign investors have always had an equivocal relationship with the Paris Bourse. The market's deficiencies are discouraging—it can be very difficult to sell even a modest amount of stock when things go wrong. Also the chaotic disclosure position in France, which was well enough highlighted at the conference as a number of company chairmen threw out profit and dividend forecasts off the cuff, makes foreign holders uneasy.

At the beginning of the 1970s heavy foreign buying took some major companies on the Bourse up to p/e ratios in the high 20s. It was perhaps significant that M. Michel felt it necessary to offer his audience a bland assurance that he considered an explosion of labour unrest in France unlikely. In the next breath he was playing down the threat posed by Iran. These are the things the French are worrying about.

In fact this sort of fundamental approach is of little importance in France. The main attraction of French shares is the apparent change in the economic background.

This stems from the original Barre plan, launched in September, 1976, after the disaster of the Chirac dash for growth, and the more recent measures taken since the election to help the corporate sector and encourage investment in equities. The Barre plan's successes, with the balance of payments and the currency, are unfortunately less conspicuous to the general public than its failure to reduce inflation and unemployment.

M. Barre himself has always insisted on the long term nature of his policies but the belief in France that inflation is about to fall in—say—three months' time has been widespread for at least two years but has never been borne out. Judging from last week's conference, optimism about inflation is still alive and well, despite the rise in raw material prices, which pushed



the year-on-year figure over 10 per cent in January.

Any fall below 8½ per cent looks distinctly unlikely; and fund managers from outside France are worrying about the parity of the franc against the mark and the trend in French interest rates—the bond market, firm since the elections, is beginning to wobble and the next movement in short rates is likely to be upwards.

Union power

Unemployment, largely as a result of the steel lay-offs in Lorraine, is catching the popular attention in France as a whole more than it has done for some time and the disruptive power of the unions, quelled for a time by the right-wing election success, is returning to prominence. It was perhaps significant that M. Michel felt it necessary to offer his audience a bland assurance that he considered an explosion of labour unrest in France unlikely.

The long term effects of the tax concessions granted for the purchase of equities may not be quite as beneficial as was hoped. Some individuals seem to have been buying their FFr 5,000 worth of shares before December 31 to qualify for the income tax deduction and then selling again in the new year. If, having sold, they want to qualify at the end of this year they will need to buy FFr 10,000 worth to hold on the coming December 31. But those interested in the Bourse merely for the tax benefits may prefer to job in and out of the market over the year end rather than hold a steady portfolio. This could become a destabilising influence, not at all what the concession was intended to produce.

Removing controls

Perhaps the most bullish point that emerged from the conference was evidence that the very necessary improvement in French companies' financial strength is in progress, thanks largely to the lifting of price controls. Between 1973 and 1976, according to Credit National figures, financial costs rose from 5 per cent of the corporate sector's added value to over 10 per cent. The weakness of the Bourse prevented the raising of new equity while at the same time higher company taxes and increasing labour costs could not be wholly passed on in price increases. The Credit National says no more than that the deterioration has stopped.

Elsewhere at the conference there were signs that a definite improvement has set in. Pernod Ricard, for instance, is now able to *finance an aggressive export* campaign thanks to the widening of domestic profit margins generated by price increases. This is a far cry from the perennial complaint of companies like Saint Gobain and Michelin, before price freedom was granted, that profits had to be made abroad to finance domestic operations.

The familiar arguments about France's growth potential, based on demographic patterns and a population density low by European standards remain attractive; an expanding domestic market on which companies can earn respectable profit margins should augur well for the Bourse. The French investment community is able to overlook day-to-day difficulties in its excitement at having a government in power that genuinely seems to care about the domestic capital markets. The impression given by the Bertrand Michel conference is that foreign investors would like to be convinced but are unsure how long the Bourse, almost too good to be true last year, can carry on upwards. France may have the least dirigiste government any one can remember yet the old fears about the franc, even about underlying political stability, are not buried. The Bourse may offer opportunities, but it is still seen as one of the riskier markets.

EPTU sets up election inquiry

BY CHRISTIAN TYLER, LABOUR EDITOR

AN INQUIRY into the conduct of a recent election inside the Electrical and Plumbing Trades Union has been set up by the union's national executive committee following a complaint that rules were breached.

The complaint, and an appeal against the election result, has been made by Mr. Harold Best, executive member for the union's Yorkshire division for the last five years, who was defeated in a ballot at the end of last year.

Mr. Best, a Left-winger and political opponent of the union's ruling Right-wing majority, was defeated in the postal ballot by Mr. William Hayes, a Right-wing candidate. The voting was 4,147 to 3,712, a majority of 435.

The chief complaint appears to be that batches of ballot papers were sent to members of a large white-collar branch of the union in Yorkshire at their employer's address, instead of being addressed direct to them.

Even in advance of the inquiry's report, Mr. Frank Chapple, general secretary of the union, has said that the method of sending the papers to this branch did not follow the union's usual practice.

The branch involved is part of the union's white-collar section, the Electrical Engineering Staff Association. It contains about 600 staff employees of N. G. Bailey, a large electrical contracting company based in Bradford, with two other offices in the area.

The victor in the election, Mr. Hayes, was an "associate director" of N. G. Bailey at the time of the election, as he said in his election address.

Mr. Best has asked for the election result to be set aside on the grounds that virtually all the N. G. Bailey staff members failed to receive their ballot papers direct. He also now maintains that the branch was not properly constituted in the first place.

Since the Communist ballot rigging scandal in the EPTU nearly 20 years ago, and the 1961 trial in which Mr. Chapple and his colleagues brought the then Communist leadership to book, the EPTU has completely revised its electoral procedure.

National elections such as the recent one are now conducted by the Electoral Reform Society, which both sends out and collects the ballot papers.

One question the EPTU's inquiry *will presumably want to* answer will concern the apparent absence of home addresses for the N. G. Bailey branch members on the union's computer list, and whether this was noticed by the society.

The defeated executive member and others have also complained about the language and accuracy of Mr. Hayes' election address, and his eligibility to stand in view of his position within the company. These objections were over-ruled by the executive.

Mr. Chapple confirmed yesterday that an inquiry was being held. He said its report would probably come before the union's executive at its regular meeting today or tomorrow.

He was "very concerned" about the "odd situation" that had arisen in the branch.

Mr. Chapple added the only legitimate complaint was about the ballot papers: "I don't know what the result will be. But if the inquiry shows that a number of people did not receive ballot papers, and that number is equal to or greater than the majority in the election, then the executive would have no alternative but to recommend holding another election. I would be in favour of that."

The other complaints in Mr. Best's appeal were "a load of rubbish," Mr. Chapple said. The eligibility of Mr. Hayes to stand for election, for instance, had been approved by the executive. "In this case the man making the complaint was among those who endorsed him, and made no objections at the time." The title "associate director" did not mean a great deal.

Mr. Chapple said some papers had gone to N. G. Bailey members' home addresses. If others had not, that was not in accord with the union's practice. "But if you look at the rule, it's not very clear about addresses on *the ballot paper." The way the* papers were sent was not necessarily relevant to any decision to hold the election again.

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